IN THE CIRCUIT COURT FOR
BARBOUR COUNTY, ALABAMA
CLAYTON DIVISION

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RICHARD L. SEABORN,

Plaintiff,

VS. : Civil Action No. CV-96-0215

R.J. REYNOLDS TOBACCO COMPANY, et al.,

Defendants.

- - - - - - - - - - - - - - - - - - - x

Washington, D.C.
Monday, August 28, 2000

CERTIFIED COPY

The deposition of

CLAUDE R. MARTIN, JR. called for examination by counsel, pursuant to notice, held at the offices of Jones, Day, Reavis & Pogue, 51 Louisiana Avenue, N.W., Washington, D.C. 20001, commencing at 10:00 o'clock a.m., before Steven Poulakos, Stenotype Reporter and Notary Public in and for the District of Columbia, were present on behalf of the respective parties:

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I N D E X

WITNESS - CLAUDE R. MARTIN, JR.:

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Thereupon,

CLAUDE R. MARTIN, JR.

was called for examination by counsel and, after having been sworn by the Notary, was examined and testified as follows:

EXAMINATION

BY MR. ESDALE:

Q. State your name please, sir.

A. Claude R. Martin, Jr.

Q. And how are you employed?

A. I'm a professor in the school of business at the University of Michigan Ann Arbor, Michigan.

Q. And you are appearing today, I assume, as an expert on behalf of R.J. Reynolds?

A. Yes, although I was retained by Jones, Day.

Q. Okay. Let me ask you: Have you ever seen the deposition notice in this case.

A. Yes, I have.

Q. Do you have it there with you?

A. Yes, I do.

MR. ESDALE: Can we get that marked, please.

(Whereupon, a document was marked as Martin Deposition Exhibit Number 1)

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BY MR. ESDALE:

Q. Dr. Martin, did you bring materials with you that were responsive to that notice?

A. Yes, sir.

Q. Do you have basically your entire file there with you?

A. Yes, sir.

Q. And if you would, for my benefit, since I can't see it, describe for me what you've brought? Is it bankers boxes or is it a stack of documents that's 9 inches tall? You can start generally like that.

A. I think it's safe to say that there is bankers boxes, three plus.

Q. And what is contained in the banker boxes?

A. Those are the documents that I used in reliance.

Q. Does it consistent of many individual documents or are there volumes or how are they put in there?

A. There are many individuals documents in the bankers boxes.

Q. Let me ask you this: Have you ever testified in federal court as an expert before?

A. Yes, sir.

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Q. Did you or have you prepared a four-year case list to submit in federal court?

A. Actually, I have a six-year case list.

Q. Do you have one of those with you?

A. Yes, sir.

Q. How long is it?

A. One page.

MR. ESDALE: You're in your offices there guys?

MR. KOETHE: Yes, in D.C.

MR. ESDALE: Can I get that faxed to me? At some point in time maybe when we can take a break or something like that or if you've all got somebody that can run and do it while we're waiting that would be fine too, however you all want to do that.

MR. BEACH: I guess when we take a break we'll get a fax number from you and we can fax it to you.

MR. ESDALE: I think it will probably save us some time as opposed to me asking questions about all of that.

BY MR. ESDALE:

Q. But real quick, Dr. Martin, have you testified in any tobacco cases before?

A. Yes, sir.

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Q. On how many occasions?

A. By testimony you would include trial testimony:

Q. Yes, trial and deposition.

A. I'm sorry. Five times.

Q. Are all of those cases contained on your six-year case list?

A. No.

Q. All right. Let's go through those. What is the most recent testimony?

A. The most recent testimony was this year in the case of Whiteley versus R.J. Reynolds Tobacco Company, Incorporated, et al. California State Court at San Francisco.

Q. That was trial testimony?

A. Deposition and trial testimony.

Q. And did Madaline Schavers take your deposition in that case or do you recall?

A. The name Schavers sounds familiar, but I'm not sure about her first name.

Q. What was the case just before that?

A. 1998 Federal Trade Commission versus R.J. Reynolds Tobacco, Incorporated. A matter before the Federal Trade Commission.

Q. Let me back up just for a second. I

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apologize for skipping around.

What was the substance of your testimony in the Whiteley case?

MR. BEACH: Object to the form of the question.

THE WITNESS: I really -- I just don't have a summary of the Whiteley case here in my testimony of it in front of me, and I would hesitate to try and recall.

BY MR. ESDALE:

Q. Can you recall the general substance of it? Was it the same --

MR. BEACH: Graham, let me just note here. You all talked over each other on that last question and answer, and so we're going to have to -- since this is a telephonic deposition we're going to have to pay particular attention to not being able to converse as fluidally as we might ordinarily if this was a face-to-face deposition.

You did not hear part of his answer, I don't believe.

MR. ESDALE: I appreciate that, Jeff.

BY MR. ESDALE:

Q. Go ahead, Doctor, if you would, tell me the rest of that answer. If you can point out which

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parts we're talking over each other. I apologize. I will certainly give you ample time to finish your answers.

A. I would have a difficult time trying to summarize without any notes in front of me, and I did not prepare them for this, of my testimony in the Whiteley trial.

Q. Okay. And then the next case, the FTC?

A. That's correct.

Q. And what about the substance of your testimony in that case?

MR. BEACH: Object to the form of the question.

THE WITNESS: I think the same can be said from the FTC case, without my notes in front of me I would hesitate to speculate as to what my testimony was.

BY MR. ESDALE:

Q. Now, what was the nature of the FTC case, do you know?

A. My best recollection is that it concerned itself with the Joe Camel advertising campaign of R.J. Reynolds and the FTC's interest in that.

Q. Now, did you testify by trial and at deposition in that case?

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A. No, just deposition.

Q. What was your next case before that?

A. This was in 1997. Howard A. Angle, M.D., et al., versus the R.J. Reynolds Tobacco Company, et al., in the Circuit Court of the 11th Judicial Circuit, Dade County, Florida.

Q. Now, did you testify at trial in that case also?

A. No, I did not.

Q. Did you give more than one deposition in that case?

A. No, I did not.

Q. Any recollection on the substance of your testimony in that case?

MR. BEACH: Object to the form of the question.

THE WITNESS: No, I do not.

BY MR. ESDALE:

Q. The case before that?

A. Also in 1997, Mike Moore, attorney general, State of Mississippi, versus the American Tobacco Company, et al., in the Chancery Court, Jackson County, Mississippi.

Q. Deposition and trial, or that case never went to trial, did it?

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A. No, it did not, as best I know, and the only testimony I had was at deposition.

Q. Who took your deposition in that case, if you recall?

A. I do not recall. It was a young lady, I recall that, but that's about the best I can help you with.

Q. Any other cases involving tobacco?

A. Back in the 1980s -- and I can't give you the citation on this one very accurately, but it was the Cippollone, C-I-P-P-O-L-L-O-N-E versus Philip Morris, et al. It was in the Federal District Court in Newark, New Jersey. I don't have the exact year, and I would hesitate to speculate, but I think it was in the late 1980s.

Q. Did you testify by trial and by deposition?

A. Yes, sir.

Q. Who were you retained by in that case?

A. In that case I was retained by a consortium of law firms. The lead law firm was Arnold & Porter in Washington, D.C.

Q. And did you testify on behalf of the tobacco companies?

MR. BEACH: Object to the form of the

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question.

THE WITNESS: Well, I was retained by those law firms who were representing three different tobacco companies.

BY MR. ESDALE:

Q. The Moore versus American Tobacco Company, who were you retained by in that case?

A. In that case I was retained by Jones, Day, Reavis & Pogue.

Q. Anyone in particular?

A. You mean any attorney in particular?

Q. Correct.

A. My best recollection, I guess the attorney was Jeff Beach.

Q. Angle?

MR. BEACH: What's the question, Graham?

BY MR. ESDALE:

Q. Who were you retained by?

A. Jones, Day, Reavis & Pogue.

Q. Were you retained to offer testimony specific to R.J. Reynolds or to any other defendants in this case, if you recall?

A. I do not recall.

Q. Do you know who from Jones, Day contacted you in that case?

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A. No, I do not recall. It was my best recollection is it was a woman attorney from the Atlanta office of Jones, Day.

Q. The FTC case, who retained you in that case, if you recall?

A. My recollection in that case was I was retained by the firm of Collier, C-O-L-L-I-E-R, Shannon, Rill & Scott in Washington, D.C.

Q. Now, do you know who they were representing?

A. They were representing R.J. Reynolds Tobacco Company, Incorporated.

Q. And I think the Whiteley case, you were retained by whom?

A. Jones, Day, Reavis & Pogue.

Q. And do you recall in that case who you were contacted by?

A. Well, I was originally contacted by Mr. Beach at the Jones, Day organization; and subsequently I was contacted by and retained by Wombel, Carlile, Sandbridge & Rice from Winston Salem, North Carolina.

Q. Do you know who from Wombel, Carlile, retained you?

A. No, I can't remember his name. I remember

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his face, but, I'm sorry, I can't remember his name.

Q. Tom Schroder?

A. That name sounds familiar. I had a conversation with him, but he was not the person to whom I spoke mostly and had contact.

Q. Now, you also -- I was furnished some time back with your expert discloser as copy of your CV. Do you have a copy with you?

A. Yes, I do, and I have a current copy dated today.

MR. ESDALE: Can we get the current copy dated today marked, please.

(Whereupon, a document was marked as Martin Deposition Exhibit Number 2)

BY MR. ESDALE:

Q. Is it Exhibit 2?

A. Yes, it is.

Q. What are the differences in the current copy? What's new on the current one that I might not have on mine?

A. Well, I don't know which one you have. I'll try the best I can to give you anything that is new.

MR. BEACH: Claude, let me interject here. Maybe it will alleviate some confusion. Is the

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version that you have, Mr. Esdale, dated?

MR. ESDALE: That's what I'm looking for. I didn't see is it earlier, and I've gone to the last article.

MR. BEACH: Look at the first page right below his name.

MR. ESDALE: Yes, it is. Okay. 9/13/99.

THE WITNESS: There have been some changes since then, and I think I can address for you those changes. On page 2 under scholarly honors and awards there would be the addition of what's called the Team Kania Award from the Kania School of Management, 1999.

Then on the third page under reviewer for academic conferences there's been a change in the one about the -- I'll read it to you. Member of the Scientific Committee for the 1995, 1997, 1999, and 2001 International Research Seminars on Marketing Communications and Consumer Behavior (France).

Q. So you just added the 2001 year to that?

A. Yes, that's right.

Then on page -- this one may be on yours, I'm not sure; but on page 5 just above the line consulting experience, litigation, and my current research it says that I'm a member of the Tobacco

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Research Network at the University of Michigan, scholars examining tobacco related issues. That may be on yours.

Q. It is

A. On consulting experience, litigation the last -- and this would be on the next -- the list goes all the way over to the next page. There is the last two -- and you may have those too -- U.S. District Court Southern District of California and then the Cleveland Automobile Dealers Association.

On the next page it the kind of top of the page there's a list of consulting experiences and it says, a consultant to Jones, Day, Reavis & Pogue and lists some law firms and then lists the cases and the state courts that I've been involved in and tobacco litigation. Two pages after that, on executive educat... --

Q. I think we talked over each other. Before we move on that to that -- well, I'll tell you what, you go ahead and then I'll come back to it. You were saying that two pages beyond that?

A. One page beyond that, I'm sorry, under executive education seminars, and coming down there's a list of those that I have engaged in at the University of Michigan and there's a couple of

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additions to the list. One of these is managing services for competitive advantage (Dubai). The next one is Whirlpool Polska Trade Partner Workshop (Poland). And both of those, by the way, have a astrict after them connoting that I'm the faculty director. And then at the bottom of that list there's another addition, the Sports Management Institute.

Now, going over to selected publications there are some additions at the end of the list of selected publications prior to the listing of books, journals, and monographs, and I'll read that. I have done that. And I'll just give the ones from 1999 and 2000. And there are four of them.

Q. Just give me one second. I'm looking through articles and then you said there's going to be another heading in here --

A. No. There is one that says books, journals and monographs just above that would be inserted for articles from 1999 through 2000.

Q. Okay.

A. First of these is the Business-to-Business Customer in the Service Innovation Process, European Journal of Innovation Management, volume 2, number 2, 1999.

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The next is the effective of advertising on Adolescent Smoking Behavour, behavour with an O-U-R, in the Current State of Business Disciplines, Volume 6, S.B. Dahiya, D-A-H-I-Y-A, editor, Rohtak, R-O-H-T-A-K, India, Spellbound Publications, March 2000 pages 2959 to 2983.

The next is The Retail Service Innovation Process: The Role of the Customer. Proceedings of the 7th Recent Advances in Retailing and Services Science, Harry Timmermans, T-I-M-M-E-R-M-A-N-S, editor, European Institute of Retailing and Services Studies, July 2000, page 98.

And then finally The Productivity of the Customer in the Service Encounter, Marketing Management, Number 6, forthcoming, December 2000.

Those are the only changes that I know of at this point in time that have occurred on this curriculum vitae that is current.

Q. Okay. I want to go back to the section under consulting experience.

A. Okay.

Q. Specifically, and I think we discussed this, but I want to make sure there's nothing else. In consulting, the law firms representing Philip Morris, Lorillard and Liggett, was the only case that

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you worked on the Cippollone case?

A. That is correct.

Q. Now, below that consultant to Jones, Day?

A. Yes.

Q. And that was from '96 to the present?

A. Correct.

Q. And it says this involved cases in the state courts of Oklahoma; home cases in Oklahoma?

A. My best recollection is at attorney general case.

Q. Did you actually testify in that case?

A. No.

Q. Would that be the same for Florida, did you consult in the State of Florida case as opposed to like the Angle case we've already mentioned?

A. Yes, that's correct.

Q. Would that also be true for Texas?

A. That's correct.

Q. Would that also be true for Massachusetts?

A. That's correct.

Q. And Vermont?

A. Correct.

Q. Maryland?

A. Correct.

Q. Did you testify in any of the state

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attorney general cases?

A. I gave a deposition in the Mississippi case.

Q. I'm sorry, you already told me that. Anything other than that?

A. No, sir.

Q. Now, Dr. Martin, I was furnished an expert disclosure in this case; do you have a copy of that?

A. Yes, I do.

MR. ESDALE: Can we've that marked Exhibit 3, please?

(Whereupon, a document was marked as Martin Deposition Exhibit Number 3)

BY MR. ESDALE:

Q. Just a little background before we get into that. Do you happen to have the article on adolescent behavior that we just discussed that's new to your CV?

A. The one that was published in India?

Q. Correct.

A. I'm not sure whether that's in these banker boxes or not. I can go look, but I don't have it right here in front of me, no.

Q. Let me ask you this: Are those bankers boxes something you put together specifically for

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this case or have you produced those documents in other litigation?

A. Well, some of these documents have been produced for other litigation, and there are documents here that are specific to this case.

Q. How much percentagewise of those three bankers boxes are documents that have been produced in other litigation and how much are specific to this case?

MR. BEACH: I'm going to object to the form of that question. Graham, I think it's unclear as to how your defining, whether it's even capable of him guessing in this, he'll tell you; but do you mean numerically, volumetrically; how do you mean?

MR. ESDALE: I mean, is 10 percent of it stuff that he's been relying on just for this case, or, you know, I mean in advertising I assume some of the stuff, while it relates to this case, can still be generic and relate to a lot of tobacco cases and that's what I'm trying to -- in a nutshell, I'm just trying to avoid duplicating items that he's already produced specifically in the Whiteley case.

MR. BEACH: Maybe the better way to proceed -- and you'll obviously ask whatever questions you want to ask, but simply ask him what

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materials he's reviewed specific to his opinions in this case as they pertain to Mr. Seaborn.

MR. ESDALE: And I guess too, and I can do that obviously, but if he could just tell me. What I'm trying to get a feel for is how much of those three bankers boxes are those materials.

MR. BEACH: Can I object to the form of the question. Claude, if you can answer it, please do so.

THE WITNESS: Well, it's very difficult because not all of the materials in those bankers boxes were produced for the Whiteley case that you referred to before. That's the first difficulty I have. The second is, in the specific documents that relate to Seaborn case, one of these is the exhibits that accompanied the deposition of Dean M. Krugman, I'm sure that Dr. Krugman has used those in other litigation. So it's a little merky about how to answer the question.

BY MR. ESDALE:

Q. Well, let's just do this. Let's go ahead and we'll just plow through and see where we end up. Maybe we can figure out what I need to get copies of at some point in time.

When were you first contacted in this

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case, Dr. Martin?

A. My best recollection was that I was contacted in either December of last year or January of this year.

Q. Who were you contacted by?

A. Mr. Beach.

Q. Was that telephone or personal contact?

A. My best recollection is it was a telephone contact.

Q. And what information were you given or what were you asked to do?

A. At that point in time I think what I was asked is whether or not I would be interested in being potentially retained in the Seaborn case.

Q. And what was your response?

A. My response was, give me information relative to the case and I'll see whether or not, first of all, I was just interested; but, second of all, whether or not any of my expertise would be applicable to this case.

Q. What information were you given?

A. At that point in time I was immediately given the deposition transcript of Richard L Seaborn.

Q. Anything else?

A. Not at that point in time.

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Q. Now, was this something that was sent to you?

A. Yes, it was.

Q. After the phone conversation?

A. Yes, sir. At my request.

Q. Right. And at that time were you given any other information other than being sent Mr. Seaborn's deposition?

A. No, other than the general comment that the defendant was R.J. Reynolds Tobacco Company, Incorporated, and that the law firm representing them, the principal law firm representing them was Jones, Day, Reavis & Pogue.

Q. And you weren't asked to -- or what was your understanding of the areas they were wishing to retain you in?

A. I think those areas are very well spelled out in the expert witness discloser that's been furnished to you.

Q. I understand that, but this was obviously at some point long before that was created, I assume?

A. Yes, it's before that was created; but there was a general understanding, as is outlined in that expert witness discloser, that my -- you know, that it would be the applicability of my training,

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education, and expertise in the field of marketing with special focus on issues concerning consumer behavior, advertising, promotion, smoking initiation. That's a summary of those kind of topic areas that are contained in the expert witness discloser and which were discussed at that time.

Q. And are these areas in which you've testified previously?

A. Yes, they are.

Q. Tell me what you did when you received Rich Seaborn's deposition. What work have you done in this case?

A. Well, I read Mr. Seaborn's deposition initially and then recontacted Mr. Beach and informed him that I felt that my expertise was applicable to this case and that if he wished to retain me I would be willing to be retained.

Q. In what ways was your expertise applicable to this case?

A. Well, as you read Mr. Seaborn's deposition, and in my expertise gets broadened out as I read other documents, but at that point in time it seemed to me, as I read the case, I read his deposition, that there were things contained within that deposition that my expertise in marketing and

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consumer behavior on smoking initiation and smoking continuance on advertising and promotion were very relevant.

Q. What specifically in Mr. Seaborn's deposition are your areas of expertise relevant?

MR. BEACH: Object to the form of the question.

THE WITNESS: Well, I think they're applicable to the entire deposition almost starting with his testimony about how he initiated smoking to his behavior and relative to cigarettes and smoking over his lifetime, to the characteristics of his behavior that are common to consumer decision-making. It's applicable to his interface with and knowledge of the information environment that he was involved in; the process that he went through to ascertain that cigarette smoking as he practiced it was dangerous or potentially dangerous to his health, and also the material within his deposition about why he started smoking, why he continued smoking, and what was the environment within the household within which he existed, and finally the reasons why he ceased to smoke.

Q. I'll tell you what, let's go ahead, before we get into all of that, let me go ahead and cover

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some other stuff.

Now, at this point in time, those are the areas that were revealed to you by reading his deposition; is that correct?

A. Yes.

Q. Now, what was the next thing you did in this case?

A. Well, the next thing I did in this case was request additional documents from Jones, Day, Reavis & Pogue that were germane in the case or had been involved in the case.

Q. What additional documents?

A. First of all, there was the complaint, the amendment to complaint, the Plaintiff's second amendment to the complaint, the Plaintiff's third amendment to the complaint; the Plaintiff's answers to Defendant, R.J. Reynolds Tobacco Company's, first set of Interrogatories; Plaintiff's answers to Defendant, R.J. Reynolds Tobacco Company's, second set of Interrogatories; Plaintiff's answers to Defendant, R.J. Reynolds Tobacco Company's, third set of Interrogatories; Plaintiff's responses to Defendant, R.J. Reynolds Tobacco Company's, first set of requests for production of documents and things; Plaintiff's supplement response to Defendant, R.J.

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Reynolds Tobacco Company's, first set of requests for production of documents; Plaintiff's responses to Defendant, R.J. Reynolds Tobacco Company's, second set of requests for production of documents and things; Plaintiff's responses to Defendant, R.J. Reynolds Tobacco Company's, third set of requests for production of documents; the deposition transcript of Dean M. Krugman, Ph.D., K-R-U-G-M-A-N, Ph.D.; the exhibits accompanying the deposition of Dean M. Krugman, Ph.D.; the deposition transcript of Larry Seaborn; the deposition transcript of John Seaborn; the deposition transcript of Daniel Page Seaborn; the deposition transcript of Jill Seaborn; the deposition transcript of Sarah Parrish, P-A-R-R-I-S-H; the deposition transcript of Gloria Gale Arnold; the deposition transcript of James Robert Hagler; the deposition transcript of Charlotte Potthoff P-O-T-T-H-O-F-F, Whitehead; the deposition transcript of Lula May Woodham; the deposition transcript of Pamela Tranthum, M.D.; the deposition transcript of Kenneth Croperd Yong, M.D.

Those were the additional documents that were responded to in my request to Jones, Day, Reavis & Pogue.

Q. And it sounds like you were reading those.

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Do you have a list of all of this those items?

A. Yes, I do.

Q. How many pages is that?

A. The list?

Q. Yes.

A. One page.

Q. I assume you read all of those depos?

A. Yes, sir.

Q. Were you furnished summaries of them or just the depositions themselves?

A. I never read summaries, always the deposition transcript itself.

Q. Now, were you made aware of a list of all of the depositions that have been taken in this case or how did you request that?

A. I asked for all of the depositions that had been taken in the case relative to family members, and then because of the deposition of Mr. Seaborn; I asked for the depositions of any of the medical doctors that have been involved with him over time, and then finally I requested from Jones, Day the name of and depositions of any of the expert witnesses that would be in the general field that I was involved in that had testified in the case.

I also requested from Jones, Day all of

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the court documents for -- I don't know how to describe them since I'm not a lawyer -- like the complaint and the amendment and so forth.

Q. And are all of those things contained in your file, those bankers boxes?

A. Yes, they're here.

Q. Just so I'm clear. Are all of these items part of the three bankers boxes?

A. Well, some of them are not in the bankers boxes, they're actually sitting here on the table, but we can put in them in the bankers boxes. They're just put out on the table for convenience.

Q. All right. Now, what was the next thing, after you received this information I assume you read it all?

A. That's correct.

Q. And then did you have any additional contact with Mr. Beach or anyone else from the law firm?

A. Well, I've some contact with Mr. Beach over time which, obviously, most of it by telephone. We did have one meeting face-to-face.

Q. When was that?

A. Last week.

Q. And where did that meeting take place?

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A. Cleveland, Ohio.

Q. And where do you live?

A. [DELETED]

Q. And how far is that from Cleveland?

A. Gosh, I don't know. It's across the lake. Flying time 26 minutes.

Q. I assume you flew over there?

A. Yes, sir.

Q. How long did that meeting last?

A. Well, let's see, there was a two-hour lunch and an hour-and-a-half meeting. Three-and-a-half hours.

Q. And did that involve your preparation for your deposition that you were going do give today?

A. Generally, yes.

Q. What else?

A. Not much else. I mean, that was about it. That was the focal point of the discussion.

Q. And that was the only time you met with Mr. Beach face-to-face?

A. Concerning this case -- no, I had one other meeting with Mr. Beach, but it was early in this case back in -- my best recollection is that I had a meeting with Mr. Beach I believe in February of this year.

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Q. And where did that meeting take place?

A. Cleveland, Ohio.

Q. Did you travel there specifically to meet with Mr. Beach regarding this case?

A. Yes.

Q. And was that the same for last week?

A. Yes.

Q. Had you met with Mr. Beach on other cases at any time during the time you were retained in this case?

A. Well, yes, I did, I have met with Mr. Beach during that period of time face-to-face.

Q. Let me ask you this: How many times have you met with Mr. Beach face-to-face since you were initially contacted in this case?

A. Let's see --

Q. To the best --

A. This is to the best of my recollection because I met Mr. Beach a few times concerning the Whiteley case. I don't know three or four times at most.

Q. Have you had any meetings or dealings with any of attorneys other than Mr. Beach in this case?

A. Yes.

Q. Who else have you met with or had dealings

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with involved in this case?

A. Well, I met with Mr. Koethe.

Q. When was that?

A. That was at the meeting in February and again last week.

Q. Was anyone else present at those meetings besides Mr. Beach and Mr. Koethe and yourself?

A. Yes, they were two other attorneys present, and you'll to have ask them for their names, I just didn't retain then. They went to lunch with us.

Q. But you don't recall -- do you know who they were with?

A. Well, they were with Jones, Day, Reavis & Pogue and both times they went to lunch.

Q. The materials you just read off for me, those were items that you were furnished; were you given anything else by the attorneys in this case?

MR. BEACH: Object to the form of the question.

THE WITNESS: Specific to this case, no.

BY MR. ESDALE:

Q. What else were you given by the attorneys that's not specific to this case?

A. Well, they're not what I would call

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Seaborn specific documents. Obviously over time Mr. Beach and I and others at Jones, Day, Reavis & Pogue have been engaged in conversation and I have furnished requests for various documents, some of which are contained in those three bankers boxes.

Q. As we sit here today, can you tell me any specific documents that you requested?

A. No. I'd have to go through the bankers boxes and try and refresh my recollection. Even then I don't have a record of what I specifically or what time I requested the documents, and some of those documents, by the way, I produced myself, so. That's where I have a difficult time. Sorry.

Q. Okay. Let me go back, if we could. Refer back a minute to your curriculum vitae.

A. Okay.

Q. And specifically under the category research experience?

A. Hold on.

Q. Sure, take your time.

A. Okay.

Q. Now, it shows -- I'm looking at the time period '94 to '98.

A. Yes, sir.

Q. And apparently there was a study into the

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public policy implications and ethical issues associated with advertising, research, and includes analysis of Center for Disease Control study on adolescent behavior. Was anything ever published from that?

A. Not -- well, yes and no. First of all, the analysis of the Center for Disease Control study data, nothing has been published on that up to now; but there was a publication that dealt with the ethical issues associated with advertising research.

Q. Who was that publication authored by?

A. Myself.

Q. What's the title of it or sit listed on your publications?

A. Yes, it is.

Q. Can you tell me where on there?

A. I'm trying to find it. There are a number of publications. First of all, there is -- these start in 1994. Actually, I'm sorry, they start in 1993.

They are, Research Validity and Resulting Public Policy: The case of the DiFranza Old Joe Cigarette Study. Proceedings of the American Association of Public Opinion Research, May 1993.

Then the Efficacy of Statistically-Based

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Research: The case of Old Joe. Proceedings of the American Statistical Association, August 1993.

Then Consumer Research Standards and Public Policy Formulation; the case of Mickey Mouse and Old Joe; Advances in Consumer Research, volume 21, 1994, pages 380 to 386.

Checking the References: Adolescent Smoking Research used in Public Policy Formulation. Proceedings of the Marketing and Public Policy Conference, volume 4, 1994, page 2.

Ethical Advertising Research Standards; Three Case Studies. The Journal of Advertising, Volume 23, Number 3, 1994, pages 17 to 30.

Then the FTC versus Joe Camel. Research Standards and Public Policy. Proceedings of the 1994 conference of the Society for Consumer Psychology, 1995, pages 1 through 8.

Now there are two additional ones. One is -- because many of the things that were garnered out of that research effort appeared in the effective advertising on adolescent smoking behavior in the Current State of Business Disciplines, Volume 6, S.B. Dahiya, Rohtak, India; Spellbound Publications, March 2000, pages 2959 to 2983; and it ended up being a response to an article by Richard Pola that discussed

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my research that emanated out of Pollay effort, and my response was contained in Pollay's, P-O-L-L-A-Y'S, Pertinent and Impertinent Opinions: Good versus Bad Research, Journal of Advertising, Volume 23, Number 1, 1994, pages 117 to 122.

Q. Now, some of these articles were written in, you said, as early as '93?

A. That's correct.

Q. And I was looking again at the study which shows 1994. Were those articles written before any study had been commissioned or anything?

A. No, that's just a typo on my part. I should have put down 1993. The one article appeared in 1993. It was the first one.

Q. And that's all I just want to clear up this and make sure that these articles that you've just described for me were publications that came about through your study that is listed on the -- in the research experience section?

A. That's correct.

Q. Now, how did that study come about?

A. The study came about through a long process. I'll try and describe it for you. In 1993 a former student of mine called me up and said he was coming up to the University of Michigan to go to a

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football game ans an alum. And I said, well, fine. I said -- I like seeing my former students. So I invited him to go to lunch with me. And he said he worked for R.J. Reynolds. I was kind of hoping that he would buy lunch, but it ended up I had to buy it.

Anyway we went to lunch and had a very pleasant conversation, and somewhere in the process, I'd say toward the end of the lunch, I said to him, you know, I've been interested in doing research that maybe you guys could fund. It's kind of part of an academic's career to kind of look for funding opportunities. And so he said, well, we do fund academic research. And I said, how do you go about it. And he said, well, you have to send us a proposal. I said, fine, I'll think about that and I'll try and get you a proposal.

Prior to that meeting and then subsequent to that meeting I had become aware of the articles that have been published in December, the previous December, in the Journal of the American Medical Association that dealt with adolescent smoking behavior. So when I got back to my office and sat down and considered all of this I wrote a proposal to him that I would review these articles and see whether or not they would stand the test of validity

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and reliability because there had been raised that issue already in the academic press.

I subsequently sent him the proposal, and much to my delight R.J. Reynolds accepted it and accepted it on the terms that I had dictated. After that I received -- about a year later I went back to R.J. Reynolds thinking this was a good funding opportunity and submitted another proposal for research and got it accepted by the Reynolds people.

Q. What was the second one?

A. The second one was to do research on the validity of the references that occur in academic articles, and specifically we're going to look at both smoking related articles and nonsmoking related articles. And they funded that one, not quite at the amount of money that the previous one had been, but nevertheless funded it.

And then as a third effort about a year and a half later I became aware that the Center for Disease Control had a large database called TAPS and was trying get my hands on it and had been unsuccessful in trying to obtain it myself. This database has close to 18,000 teenagers in it, the record of 18,000 teenagers. And so I contacted the success or to my former student, another of my former

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students, by the way, at R.J. Reynolds and asked for their assistance in trying to get the Center for Disease Control data and to try and get it in a form that I could put it into my PC, and they assisted me in getting that data.

Q. Who was the former student that were initially contacted by?

A. I'm trying to think of his name. And this is what happens when you get old, you forget names. Kenneth - and I can't remember his name. I'm sorry, I just don't remember his name.

Q. Well, what about the successor?

A. Bill, I want to the say Lockland, or something like that, but that's not correct. It will come to my mind and if I remember it I'll try and share it with you.

Q. Okay.

A. Sorry.

Q. That's all right.

Now, did I understand there's actually three separate studies funded?

A. Well, there's a study funded into the Joe Camel articles that appeared in JAMA. There's a study on referencing. I don't know whether you would call it a study, it was more of an attempt to

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expedite and assist in me getting my hands on the Center for Disease Control data, which I am still examining.

Q. And what was the -- or maybe that is all three of them: The JAMA, Joe Camel article, the referencing of, I assume, other literature and articles?

A. That's correct.

Q. And then what was the other area?

A. Of assisting me in getting or expediting of the getting of the CDC's data so that I could examine it, TAPS data.

Q. Let me ask you: What was the funding for the JAMA, Joe Camel study?

A. What do you mean what was the funding.

Q. How much was it?

A. This is going to be purely from recollection because that's back in 1994 -- 1993. My best recollection is, it was a around $90,000. Somewhere in that area.

Q. You mentioned that the referencing funding was not as much as that?

A. No. It was about half.

Q. And was any funding involved in the obtaining of the CDC information?

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A. There was some funding involved in there purely for data handling and the things of that sort, and, obviously, there were costs to R.J. Reynolds in getting this for me.

Q. Do you know what that was?

A. No, I do not.

Q. Now, the $90,000, what was that money used for?

A. To pay for time for myself, to pay for the costs of examining -- just the costs of data analysis. There were computer costs involved and there was a research assistant that was billed under it.

Q. How long did that study last?

A. Well, the last actually -- the study lasted about two years, I would say, in the sense of analyzing that and our doing some original research in the area. So I would say in the neighborhood of about two years, although publication went beyond that point.

Q. Let me ask you, while we're on the subject, how much do you charge for your time?

A. You mean for litigation?

Q. Yes.

A. $250 an hour.

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Q. Is that across the board no matter what it's for?

A. No. It's $250 an hour with a stipulation that there's a minimum number of eight hours for out-of-town, that means out of Ann Arbor work, and that for deposition and trial testimony there is a charge of $3,000 for the day regardless of how little time is consumed, and it is billed at $375 an hour for every hour over eight hours.

Q. Okay. Now, what about your rates for other work?

A. You mean nonlitigation?

Q. Right.

A. It depends on what that other work is.

Q. Well, I understood you to say, for instance, in this study that you were charging for your time in spent conducting the study or working on the study?

A. Well, I was compensating myself, trying to compensate for myself, for time lost, it's kind of an opportunity cost.

Q. Did you do that on an hourly basis or how did you do that?

A. No, I didn't do it on an hourly basis. It ended up that I paid myself a much lower rate

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actually than I would have gotten if I would have used that time for consulting.

Q. Do you know what your billing to date in this case has been?

A. Yes, sir.

Q. What is it?

A. The billing that I have given so far to Jones, Day has been $5,000.

Q. Do you know what your billing has been to Jones, Day total for all of the cased you've worked on?

MR. BEACH: Object to the form of the question.

THE WITNESS: No I can -- no, I don't know the exact amount, sorry.

BY MR. ESDALE:

Q. Can you ascertain that at your office? Do you have records I guess, would be my question?

A. I might be able to break out the Jones, Day related fees.

Q. Do you have a way to determine what all fees you've been paid for your involvement in tobacco related litigation?

A. Well, I guess I could break out what were my fees in the tobacco litigation since I was

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retained in 1996. I do not have the records from the Cippollone trial. Those have been destroyed.

Q. Other than your retention since '96, have you been paid or been retained -- strike that. I'll try to ask a little better question.

Have you been retained by any attorneys representing any tobacco companies or the tobacco companies themselves for any work that is nonlitigation related.

A. No.

Q. Has all of your time been billed in accordance with the fee schedule you just told me about?

A. You mean in tobacco litigation?

Q. Yes.

A. Yes.

Q. So it's all been based on easterly either an hourly or daily fees?

A. Yes, sir.

Q. All right. Going back to your CV and right below the study that we've just been discussing, there's also a time frame, it looks like 1990 to 1998, examining the viability of mail intercepts?

A. Mall.

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Q. Do you see that?

A. Yes.

Q. What did that involve?

A. Well, there was an issue raised in the late 1980s by the research director at the Drocket Corporation in Cincinnati about the viability of shopping mall intercepts for assessing, particularly a narrative case, for new product concepts.

My research partner and I thought that that was an area that we perhaps might want to examine in more detail to see whether or not we could conduct an experimental research to try and ascertain whether or not mall intercepts were the proper and appropriate method for assessing; and our interest was more in advertising testing than it was in new product concepts.

At that point in time I contacted the folks at Kraft Incorporated, Kraft Foods, to find out whether or not they would be willing to fund this -- and this was funding through the business school -- and they said this they would and were interested in that because this was an area that was of some interest to their research people also.

Subsequently, we went out and constructed a questionnaire to test advertisements for use in a

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shopping mall, and in that process we went to a number of different advertising agencies to see whether we could acquire some ads that had never been seen by people previously or at least never been seen by people in the geographic area. At the same time there was a contact made to the Public Broadcasting System to see whether or not they could furnish us with some form of a television programming within which we could insert some of these ads for testing.

We were able to get a program that dealt with a Japanese baseball team, which was kind of a fascinating show, and we were able to get ads for wheaties that did not have the Breakfast of Champion logo on it and which were being prepared for possible national use.

We also obtained advertisements for the electric company, the utility, in Chicago, Illinois. We then used the funds that we had gotten from Kraft to retain a market research firm in Southern California and began a study at a large shopping mall located near Long Beach, California which had as its demographics, at least in its market area, that were similar to the demographics for the United States generally.

We did mall intercepts with people there

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showing them this television programming and the insertion of the ad and tested things relative to advertising recall and advertising effectiveness. At the same time we called another sample of people within the area and got their positive response to the invitation to send them a copy of this programming that they would then play on their home video recorder. And we went back to both of these samples, the one that was intercepted in the mall and the one that had viewed the television programming with the commercials inserted in their home.

We went back to them and tested them on advertising recall, corporate recall, their attitude towards the brand, their attitude towards the organization, on a day-after basis, a 15-day after basis, and a 30-day after basis.

Q. How much was the funding from Kraft?

A. I don't recall. My recollection is that it was probably over well over $100,000. It may have been closer to 200,000, recognizing that the university took its cut out of that.

Q. The R.J.R. funding, was that directly to you or your department?

A. No, it was directly to me.

MR. BEACH: Graham, perhaps before we move

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into a new area, why don't we take a five or so minute break, we've been going about an hour and ten minutes now?

THE WITNESS: I'd appreciate it.

MR. ESDALE: Just in about five minutes we'll all just show back up.

MR. BEACH: Something like that.

MR. ESDALE: All right.

(A short break was taken.)

BY MR. ESDALE:

Q. Doctor, other than the studies we've discussed that R.J.R. funded, have you received any other fundings from tobacco companies?

A. No.

Q. Now, also on the same section of your CV down at the bottom it says, a member of tobacco research network at the University of Michigan?

A. Yes.

Q. Scholars Examining Tobacco Related Issues?

A. Yes.

Q. What is that?

A. At the University of Michigan because of the lot of the research that's been done on things like monitoring the future and so forth and a lot of other studies that have been done at various parts of

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the University, including the Institute for Social Research, there was a decision made, now almost a year ago, to try and bring together all of the scholars who have been examining tobacco related issues that are at the University so that we could share with each other what that research was and also it's ended up being a device for inviting outsiders to come in and address the members of the Research Network. I was among those who were initially invited to become a member of the that tobacco research network.

Q. Are you still currently doing that?

A. Yes, getting e-mail messages almost every day.

Q. Let me ask you: Just a second ago I asked you about any funding from any tobacco companies, have you received any funding to perform any other tobacco related research or studies?

A. No.

Q. And other than the R.J.R. study and this current study, have you done any other research or studies involving tobacco advertising or tobacco in any way?

MR. BEACH: Object to the form of the question.

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THE WITNESS: Well, I mean obviously as part of being a member of the tobacco research network one of the things that I bring to the table, so to speak, is a vast amount of experience that has come, for instance, out of litigation and reviewing documents that I'm sure -- I hope that my colleagues view as a resource for them. And so that's part of that.

Certainly there have been -- I also did at the invitation of John Luke a study that involved looking at the proposal in Canada for plan packaging of cigarettes that's reflected in an article that was published in a book that John edited in 1998.

Q. Who is John Luke?

A. John Luke is at the Niagara Institute up in Canada. I don't have his background.

Q. Anything other than that that you recall?

A. No. Just generally, I mean, my entire career has been looking at consumer behavior in advertising and so all of these dovetail into the smoking behavior research that I've been doing.

Q. Now, do we have the expert disclosures marked yet?

A. Yes, we do. It's Exhibit 3.

Q. Did you prepare this, Doctor?

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A. I certainly gave a lot of input to it in collaboration with Mr. Beach.

Q. You understand that the purpose of this deposition is to allow me to try to figure out what opinions you intend to offer at the trial of this case?

MR. BEACH: Object to the form of the question.

THE WITNESS: Well, I guess I understand that's part of what one of the objectives of the deposition.

BY MR. ESDALE:

Q. And if you would then, and we could use this to go through or we can go through it together, but I just want to know what all opinions you intend to offer at the trial of this case?

MR. BEACH: Object to the form of the question.

BY MR. ESDALE:

Q. So what opinions do you intend to offer at the trial of this case?

MR. BEACH: Same objection.

THE WITNESS: Well, the opinions that potentially I can offer in this case are contained in this statement that you have, but those -- any

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opinions that I might offer are still subject to further information that would come from, for instance, witnesses that you might produce or other evidence that comes before us.

Q. Sure. Let's go through these. These paragraphs are numbered and would that be the easiest way for you to explain to me? I assume they were broken down into numbered paragraphs for purposes of organization, and would that be the easiest way for you to go through them paragraph by paragraph?

A. That's fine by me.

Q. The first paragraph?

MR. BEACH: What exactly are you asking him to do, Mr. Esdale?

MR. ESDALE: I'm sorry. Just give me a second and I'll ask a question.

BY MR. ESDALE:

Q. Without me reading the entire first paragraph, do you intend to offer any opinions out of the first paragraph specific to Mr. Seaborn?

A. Yes, sir.

Q. And what are those?

MR. BEACH: Object to the form of the question.

THE WITNESS: Well, I think that out of

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the first paragraph some of the opinions that I have described in the section number eight in this expert report concern themselves with paragraph number 1 and they're pertinent to Mr. Seaborn specifically.

BY MS. ENSDALE:

Q. The first sentence in that first paragraph it says, consumer decision-making is influenced by a significant number of factors as illustrated by various models of consumer decision-making and models of the manner in which individuals process messages. Do you intend to discuss specific factors?

A. I intend to discuss specific factors if they're germane as I see it when we get down to the wire, but certainly I will be talking about the process that consumers go through in their decision-making.

Q. Can you describe that for me?

A. I have a -- I have, actually, within the box here I have a diagram, a rather complex diagram, that tries to illustrate what is a consensus of a model for consumer decision-making.

Q. Can we go ahead and get that marked? How many pages is it?

A. I don't know how many pages it is. I'd have to get it out and tell you.

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MR. ESDALE: Let's go ahead and mark that.

MR. BEACH: Graham, I'll just note for the record here that I'm not sure whether or not the diagram that Dr. Martin's referring to is, in fact, in these boxes. And, obviously, if I knew one way or the other for sure and/or I knew where a copy was in these three copies I would point it out to expedite matters.

MR. ESDALE: I understand that. That's fine. If it will take time, we'll see what we can do. While we have a little bit of time, Jeff or Paul, when you check out all of the depositions and pleadings and things of that nature, how much is left there?

MR. BEACH: Pleadings and depositions. Well, I believe, as Dr. Martin testified, he has materials on the table here where we -- in the conference room where we are located, and in addition he has these three boxes. There are no depositions and pleadings in these three boxes.

MR. ESDALE: So those three boxes are just additional documents that he's relying on?

MR. BEACH: Reviewed or relying on, I believe, what is you asked for.

MR. ESDALE: Let me ask you: Is Krugman's

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exhibits in there, in those boxes? I'm just trying to figure out what I need to get copied as opposed to, you know, duplicating stuff.

MR. BEACH: I don't believe that Dr. Krugman's exhibits to his deposition are contained within these boxes.

THE WITNESS: Okay.

BY MR. ESDALE:

Q. You found it?

A. Yes, I have.

MR. ESDALE: Let's go ahead and get that marked as Number 4.

MR. BEACH: What Dr. Martin's referring to is a book by Dr. Cottler called Marketing Management, Graham, that in toto has got to be 500 pages long, or thereabouts. Excuse me, I was only looking at half of it. It's probably about 800 pages. Are you sure that you'd like that marked as an exhibit to the deposition?

MR. ESDALE: No, I'm not sure. Let me do this.

BY MR. ESDALE:

Q. Dr. Martin, is there a specific model contained within that book that you were speaking of or a diagram?

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A. There are several diagrams.

Q. Why don't we just mark those pages that contain the diagrams, and, if you would, identify the book so that we'll know exactly where they're coming from by title and author and things like that?

MR. BEACH: Graham, you know, as just as a mechanical proposition what I'd propose that we do here is put posted flags or something on the pages that you all end up discussing so that I don't end up destroying my copy of this 800-page book and then we'll identify -- or give me an opportunity to go out and get pages copied; however, you want to do it.

MR. ESDALE: Get pages copied would be just fine with me.

MR. BEACH: Well, then, Dr. Martin, and --

MR. ESDALE: We can copy the pages that we discussed.

MR. BEACH: Why don't we do this. Perhaps he can identify, take a few minutes to identify, the diagrams which refer to your question, then we'll take a short break while I get those pages copied and then we can get the copy marked and proceed.

MR. ESDALE: That's sound fine.

MR. BEACH: So, Dr. Martin, do you have the question in mind to which you're now looking for

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the diagrams?

THE WITNESS: Yes, I do.

BY MR. ESDALE:

Q. All right. And, if you would, you know, pursuant to the conversation Mr. Beach and I just had, if you will identify the diagrams or the pages on which you're going to use to help explain your opinions to me we can get those copied.

A. Okay, I will.

MR. ESDALE: Do you want to do that now, Jeff?

MR. BEACH: It's up to you.

MR. ESDALE: Take another break while he identifies those and then you all copy them or do you just want to copy them at a later time?

MR. BEACH: If you want to mark it now, then I'd like to copy it before you mark it so I don't have to figure out what I'm missing later in the book.

MR. ESDALE: Sure, that's fine.

THE WITNESS: I've looked at the book and the appropriate pages or the appropriate material is basically chapter 6 of Cottler's book.

BY MR. ESDALE:

Q. How many pages is that?

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A. It goes from pages 171 to page 202.

Q. So about 31 pages?

A. Correct.

Q. That won't take too long. Do you want to go ahead and do it, Jeff?

MR. BEACH: Sure.

MR. ESDALE: Just take five again.

MR. BEACH: Sure.

MR. ESDALE: Do you think you can do it in five minutes?

MR. BEACH: Right.

MR. ESDALE: We'll reconvene in five minutes.

(A short break was taken.)

(Whereupon, a document was marked as Martin Deposition Exhibit Number 4)

BY MR. ESDALE:

Q. Dr. Martin, I think when we went off the record we were looking at paragraph number 1, and you'd mentioned that there was models or diagrams, and I think we got all of those down and they're marked as what exhibit?

A. It's Exhibit 4, which is chapter 6.

MR. BEACH: But I'm otherwise going to object to that. I don't know if there's a question

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there, Graham --

MR. ESDALE: There's not. I'm just trying to lay the foundation so that I can start asking them.

BY MR. ESDALE:

Q. And is that what you were going to use to help explain to me your opinions in number 1 as far as the factors that influence decision-making?

MR. BEACH: Object to the form of the question.

THE WITNESS: Well, in number 1 I have said the consumer decision-making is influenced by a significant number of factors as illustrated by various models of consumer decision-making and models in the manner in which individuals process messages.

One of the models of buyer behavior, and what is generally agreed to be the kind of consensus model, is contained in this documents, along with, it's kind of like a model, but it's a figure that illustrates the factors that influence behavior.

BY MR. ESDALE:

Q. And specifically what figure are you referring to?

A. Figure 6-1 and figure 6-2.

Q. Is there a name for the model that you

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said is kind of the consensus model?

A. Yes. It's labeled model of buyer behavior.

Q. Does it have any other specific identifying characteristics?

A. No.

Q. What are some of the --

A. I'm sorry, it does say in the preceding page that it's a stimulus response model.

Q. And is my understanding of what you just told me that this is a consensus model, what are you referring to?

A. Well, over time starting, actually, starting back in economics there have been various attempts to model buyer behavior, and it is generally agreed within the discipline now that a stimulus response model is perhaps the best understanding we have of such buyer behavior.

Q. Now, are there various factors listed there as far as what type of things influence decision-making?

A. Yes, there is.

Q. Do you intend to offer opinions about those various factors as they relate to Mr. Seaborn?

A. Yes.

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Q. Let's go through them and tell me your opinions on how they relate to Mr. Seaborn? And if there's some that don't relate, you can say so and then we'll just kind of go through those or skip them.

A. Well, both models have to be taken into consideration together, both 6-1 and 6-2, and they start out with the marketing stimuli. Those are the things that a person or an organization brings to the decision process and they involve what is characteristically known in the marketing discipline as the four Ps. That is product, price, place, and promotion.

So in the case of Mr. Seaborn, obviously, the product that is brought in here is cigarettes. And product can be broken down into a number of component parts, including the package itself, the brand name itself. It can be the, if you want, the kind of positioning that the brand has in the mind of the person who might be the buyer.

Obviously, in the case of Mr. Seaborn, the product is cigarettes and it is a product that he had and appears to have had some brand loyalty for starting with Camels and then moving to Winstons. The price is another of the marketing stimuli that

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comes to the decision process.

There is -- I don't recall any major amount of influence on Mr. Seaborn's behavior brought about by price. The place in the marketing stimuli is basically -- also known in the literature as the channel of distribution. To some extent this has an influence, and almost a unique influence, in the case of Mr. Seaborn's decision-making simply because he was the operator of the place in a period of time during -- and I don't recall exactly. I'm trying to remember.

There's a period of time when Mr. Seaborn runs a service station and sold cigarettes, and so he was the one who -- he modeled the place and, in fact, my recall is that he placed cigarettes under the counter because he certainly -- and said he did not want to sell them to adolescents.

In conjunction with that modeling of the place, Mr. Seaborn does make the statement that he thought that the product itself, not brand specifically, but the product itself was potentially injurious to health.

The other marketing stimuli is promotion, and promotion can be that which is paid, and those end up being things like advertising and public

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relations, and they can be the kind -- I prefer the word communication to the word promotion because communication has more of a richness to it and would include that kind of information that would be coming to somebody like Mr. Seaborn from sources other than advertising and public relations.

And the factual record shows that information regarding smoking and health was imparted to do Mr. Seaborn, things like parental warnings, his wife's admonitions of statements by his children. The almost, if you want, kind of statements that came out of the school system that there was at least something that was not proper about smoking. The warnings from his physicians. The warnings themselves that were on the package. So the package in this case now becomes germane also to the buying decision process.

And we come to understand that Mr. Seaborn did see these warnings that came from these various sources, or at least he understood the health risks associated with smoking. There are a good number of instances where he acknowledges this within his deposition.

We know that there are other stimuli that have an effect upon the decision process, and these

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economic, technological, political, and cultural. I was not able through the deposition to really examine in any depth any of those particular stimuli has having an effect opinion Mr. Seaborn, although, there appears to be some potential for a cultural impact if we were to include in the cultural impact the kind of, if you want, subculture to which Mr. Seaborn belonged, that is that he belonged to a subculture where smoking was an acceptable behavior particularly when he was younger.

Now, there are certain characteristics of a buyer that have an impact upon the buying decision process. So, first of all, we start off with those stimuli that come from the marketer; we have those stimuli that come from the outside world, and then we have the buyer's characteristics themselves, those kind of things that are internal to the buyer and they would include the culture that the buyer perceives therein, the social class they're in. And there's nothing here to indicate that the social class was inhibitive of Mr. Seaborn's smoking.

Then we have the kind of society or social aspects of the buyer, and these include reference groups. And in this case we can look at reference groups very much from the initiation of smoking where

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it was associated with peers when he was young in smoking.

We also recognize that there is the kind of, if you want, tarental influence that comes out, and those are the family influences that happen in here; and, basically, as I look at the deposition of Mr. Seaborn, the household is a kind of smoking household if you want. So there is a kind of social impact from the family. And there are the roles and statuses that people aspire to, and those may -- I couldn't detect that there was a particular role that Mr. Seaborn had.

Then there are the personal characteristics, and these are the ones that are very germane to Mr. Seaborn's behavior towards smoking, his kind of age and life cycle stage. Mr. Seaborn began to smoke when he was very young, I believe he was 15, and smoked continuously over that period of time. And his personality and self-concept were one of the things that seemed to have enhanced that smoking behavior.

His wife describes it that he was a person who you couldn't tell him anything about smoking; that he was very independent, and that he had his own way of doing things, and that if he were to cease

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smoking or, as in the case of drinking, he did it as an independent act and was not doing it because of admonitions from family or friends.

In addition to that, you look at people who are smokers and there is ample evidence in the literature to indicate that those people are associated with risk-taking behavior. And in the case of Mr. Seaborn, first of all, his occupation contributes to that. We have on the record the fact that as a farmer he had to mix pesticides and fertilizers, and did this while mixing those with, I guess, water, and did it without wearing any kind of protective gloves, clothing, masks, and so forth, and, in fact, merely washed his hands sometimes afterwards.

The economic circumstances indicate that Mr. Seaborn at least had the economic wherewithal to be able to pursue certain behavior patterns, such as, smoking, drinking, and so forth.

There are psychological factors that also come into these factors that influence behavior, motivation. Mr. Seaborn self-describes that he didn't have any motivation to stop smoking seemingly, and, in fact, was not even interested in those well-known devices or attempts to get people to stop

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smoking, things like patches, whatever the gum is that they sell, never attended any kind of counseling sessions that were designed to motivate him to stop smoking.

His perception, psychological perception was, as he indicates in his own words, that he thought that smoking was dangerous to his health, it could cause cancer at one point. He understood that. He understood that it could kill you, but he also felt that it was never going to happen to him.

So there is also a psychological factor that he learned over a period of time, and at an early age he learned, that cigarette smoking was something that was societally not accepted in all places, when he was at school, but also that he learned that there were health risks associated with cigarette smoking and at a fairly early age.

And also that he learned that when he was diagnosed with cancer and potentially with some heart problems that he learned that he -- his learning came into play and he ceased smoking immediately.

And he had certain beliefs and attitudes, and some of those I've mentioned already; but his beliefs and attitudes were that cigarette smoking was a health risk, but also that his beliefs and

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attitudes indicated that probably it would not happen to him and his attitude was that the only person who was going to convince him to stop smoking was himself. He is a very independent man.

The buyer's decision process is that you go through a series of stages and problem recognition. As I read the deposition of Mr. Seaborn, I think he recognizes very early on that there is a health risk associated with smoking. He does have a constant kind of hacking cough that he recognizes and certainly has been called to his attention and was recognized by members of his family and his friend.

He sought out information and got information from medical practitioners. He also got information from his wife who is a health care professional. He evaluated that information and came to a decision to continue smoking, and then that lead to his buyer's decisions. And we can see the various decisions that Mr. Seaborn went through.

First of all, at an early age he decided that he was going to engage in cigarette smoking. He did this because it related to peer smoking. He first smoked at 15. He smoked in conjunction with classmates. There's an indication that in his

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product choice he did not make a brand choice, he bumped what was ever available from his peers.

And the reasons he gives for engaging in the product choice are curiosity, the fact that others smoked, the fact that it allowed him to fit in, and he even describes in his deposition that this was kind of a, if you want, a right of passage. So those are the kind of factors, if you want, that influence behavior. And I've tried as best I can to associate it with Mr. Seaborn.

I have provided within my expert report our statement under number eight some of the specifics of that that maybe I didn't cover in this fairly long discussion of the buyer behavior. That's about the best I can do at this point in time for you.

Q. Let me ask you: Are you breaking any of this down into areas like initiation? And I know you touched on that then when you were explaining it to me, but are you going to discuss Mr. Seaborn's smoking initiation?

A. I think I will, yes.

Q. And tell me your opinions on that that we haven't already discussed. You mentioned it was brought on at least partially by peers and their

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brands because he bummed; do you intend to expand on that?

MR. BEACH: Object to the form of the question.

THE WITNESS: Well, I may expand upon that in the sense that my familiarity with the Center for Disease Control data that is contained in the TAPS information indicates that that is a fairly common practice among adolescence who initiate smoking and that many of them don't either have the economic wherewithal or for other reasons bum the cigarettes that they use at the initial stages.

I think also that I'll probably direct my attention to the fact that there is no evidence in the case that advertising is associated with the initiation of smoking in this case.

Do you know what influences the percent of Mr. Seaborn to make certain choices regarding the brands in which he used?

MR. BEACH: Object to the form of the question.

THE WITNESS: I don't recall. I really do not recall. I'll go back and look at the deposition. I do not recall that there was any information in this deposition directed towards why the peers

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selected a certain brand.

BY MR. ESDALE:

Q. Well, let me just ask it this way. You mentioned that he had knowledge of the health risk early on?

A. Yes.

Q. What specific knowledge and when?

MR. BEACH: I object to the form of the question.

THE WITNESS: Well, he uses terminology like bad for you. By the 1970s he acknowledges that he took the warnings on the cigarette packs seriously. There's a whole series -- and I have to go back and flag every one of them, but my recollection was somewhere in the neighborhood -- there's something like 19 citations in his deposition of places where Mr. Seaborn acknowledges some form of health risk.

Specifically I recall that he says something to the effect that he had -- or he acknowledges that cigarette smoking could cause cancer and could kill you.

Q. But my question is this: You mentioned early on, and that's what I'm trying to get a feel for, what specifically in his time of initiation of

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smoking what health risk are you aware of that Mr. Seaborn was aware of as it relates to smoking?

MR. BEACH: Objection to the form of the question.

THE WITNESS: My recollection was that -- and I'm trying to -- I'd have to go back and get you the specific pages and so forth; but in the early parts of his deposition he discusses the fact that he was told, and I believe it was by his parents, that cigarette smoking could, quote, hurt you, and nevertheless he went ahead and smoked. So there's some indication from the parental communication to him that he understood that cigarette smoking at least could hurt him before initiation.

Q. When what year did Mr. Seaborn initiate smoking?

A. He started smoking when he was 15. He was born in 1936. So I guess that's 1951. And it was my understanding that your information was he smoked pretty much continuous from 1951 on?

MR. BEACH: Objection to the form of the question.

THE WITNESS: Well, I don't know about the word continuous and I don't know what the definition of that. He engaged in smoking behavior starting in

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1951 and it indicates that he quit in June of 1996.

BY MR. ESDALE:

Q. Now, you mentioned also that he exhibited risk-taking behavior?

A. Yes.

Q. And you use as an example his farming occupation?

A. Yes.

Q. Now, is there anything specific about his farming occupation or do you consider farmers in general as risk takers?

MR. BEACH: Object to the form of the question.

THE WITNESS: No, I don't in general consider farmers to be risk takers, but in his description of his handling of chemicals there's every indication that he was a risk taker.

Q. And what chemicals was he handling?

A. They are actually specifically mentioned within his deposition by brand name, and I'm not an expert on farm chemicals; but as my understanding is they were both pesticides and fertilizers.

Q. And what hazards are associated with these chemicals that he was handling?

A. Well, my understanding -- again, I mean,

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I'm not an toxicologist; but my understanding is that in particular pesticides are toxic.

Q. Now, in your discloser paragraph 2 --

A. Hold on a second, let me get to it.

Q. -- you discuss the influences of -- or that there is limited number of market or controlled influences?

A. Correct.

Q. And then you list -- you list them by example, are there others?

A. No. I think that we've already gone over that area in my discussion of the models.

Q. Okay. One thing in paragraph 2, you mention that market or controlled activities is limited to create brand awareness and then communicate product attributes. What product attributes are associated with cigarettes?

A. Well, first of all, I did not attribute this directly to cigarettes and it's not the exhaustive list. I said that they possibly create brand awareness and possible communicate product attitudes, et cetera. I was not thinking of any specific product attributes of a cigarette.

Q. Also in that second paragraph you mention that, for example, advertising, marketing, and

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promotion are a small part of the total interactive communication process that may influence a given consumer's decisions to use or purchase a product?

A. Correct.

Q. Does that go back also or have you covered that in the earlier discussion that we had?

MR. BEACH: Object to the form of the question.

THE WITNESS: To some extent that may have been covered, but it stands by itself as an additional commentary on the role of advertising and promotion in the communication process.

BY MR. ESDALE:

Q. And just so I'm understanding, let me ask it this way: Can you put any parameters or quantify when you say small part of the total interactive communication. What percentage, for instance, does those things: Advertising, marketing, and promotion represent?

MR. BEACH: Object to the form of the question.

THE WITNESS: No, I couldn't quantify that. I don't know how would you quantify it first; and, second of all, it is specific to an individual communication or event.

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BY MR. ESDALE:

Q. Now, you say, despite limitations the impact of market or controlled influences on consumer decision-making is commonly misunderstood and overestimated?

A. Yes.

Q. An what do you mean by misunderstood and overestimated?

A. Well, many people think that the things that the marketer brings to the decision process are the ones that determine behavior, and as we have already discussed, in looking at this model of buyer behavior and looking at the factors both internal and external that influence the buying decision process, that there are many other things that have a major impact upon buyer behavior.

Nevertheless, there is a misunderstanding at times and an overestimation of the impact of something. For instance, price, that price is -- and we go back to the early stages of buyer behavior models and it was thought that price was -- well, in the more nieve days was the only or at least the major factor that influenced that buyer's decision. We've come to understand that that's not true.

Q. Now, does price affect products

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differently depending on the product?

A. Yes, that's what -- that's every indication I've ever seen, yes.

Q. And I assume, for instance, like medical products, price does not pay as a large a role, there's nothing available other than a certain product, does it?

MR. BEACH: Object to the form of the question.

THE WITNESS: Well, I'm not an expert in this area of health care, but I mean it would seem as though the current controversy over HMOs is specifically about that, that the price does have an influence upon whether or not an HMO or a managed care organization would pay for any kind of health care and, therefore, it's a go no go decision for the consumer.

BY MR. ESDALE:

Q. Let me ask you this: If somebody said they need insulin, you know, the price of insulin is not going to effect your decision on whether or not to buy it, is it?

MR. BEACH: Object to the form of the question.

THE WITNESS: I really haven't studied

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insulin purchasing. I suspect not.

BY MR. ESDALE:

Q. But you can't live without it if you need it?

A. I suppose. I'm really not familiar with diabetes.

Q. Let me ask you this: For instance, does cigarettes have any unique place in the market due to the effect the product has on -- the physiological effect the product has on users?

MR. BEACH: Object to the form of the question.

THE WITNESS: I'm not an expert in the area of physiological effect of cigarettes on somebody. I can't comment on that.

BY MR. ESDALE:

Q. That's what I'm asking you. Do marketers, to your knowledge, treat cigarettes any differently because of the physiological effect that they have on the users?

MR. BEACH: Object to the form of the question.

THE WITNESS: Marketers do treat cigarettes differently. My suspicion is that most of it is not attributed to the physiological effect of

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cigarettes.

BY MR. ESDALE:

Q. Well, let me ask you this: During this study group you're involved with right now, have you all looked at the effect that price has had on cigarette sales in the last couple of years?

A. Well, there have been studies, and some of them have been conducted by people who are members of the tobacco research network that deal with the relationship between price and cigarette sales.

Q. Is there a direct relationship between price of cigarettes and cigarette sales as there are in certain other products?

MR. BEACH: Object to the form of the question.

THE WITNESS: Well, the best that I can give on you that and what I've seen in the research I've seen is that there's a correlation, a statistical correlation, between the price of cigarettes and the sales of cigarettes, and that there is a conclusion among some economists in particular that cigarettes are price sensitive.

BY MR. ESDALE:

Q. And are you aware of any price changes that have occurred in the cigarette industry over the

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last four five years?

MR. BEACH: Object to the form of the question.

THE WITNESS: No. I have not studied the price of cigarettes over the last four or five years. And as far as it concerns Mr. Seaborn, I saw no relationship between price and his cigarette buying behavior.

BY MR. ESDALE:

Q. And that's what I was going to ask you about. Let me ask it this way. Is it your opinion that price did not influence Mr. Seaborn's decision on whether or not to purchase cigarettes?

MR. BEACH: Object to the form of the question.

THE WITNESS: Well, there is some indication that at the early stages when he initiated smoking that price was at least a factor in his smoking behavior because he was bumming them from his peers. I don't see any evidence from Mr. Seaborn's deposition that that price was a factor in his subsequent cigarette smoking behavior.

BY MR. ESDALE:

Q. And do you have any opinion as to whether that's true generally with most if not all smokers?

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MR. BEACH: Object to the form of the question.

THE WITNESS: You can't answer the question the way you have worded it because you can't make a generalization about that.

BY MR. ESDALE:

Q. And that kind of goes back to my other area of inquiry. From an advertising perspective, do you have any idea whether the physiological effects of cigarette smoking influence a buyer's decision on whether or not to purchase a product as it relates to the price of the product?

MR. BEACH: Object to the form of the question. Excuse me, can we have that question repeated?

THE WITNESS: Well, I was going to say I'd like to either have it repeated or whatever. I didn't understand it.

MR. BEACH: Let's have it repeated unless you want to restate it, Graham?

MR. ESDALE: I'll go ahead and take a shot at restating it.

BY MR. ESDALE:

Q. From an advertising and marketing perspective, has anyone, to your knowledge, done any

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research or studies to determine whether or not the physiological effects of cigarette has on a user's decision to purchase a product as it relates to the price of the product?

MR. BEACH: Object to the form of the question.

THE WITNESS: I haven't seen any research in that area.

BY MR. ESDALE:

Q. Do you have any opinions whether or not cigarettes are addicting?

A. I'm not an expert on addiction.

Q. Are you aware of literature out there that, of course, stands to the proposition that cigarettes are addicting?

MR. BEACH: Object to the form of the question.

THE WITNESS: Well, in the process of going through depositions and preparing and reading material, I've seen opinions that say they are and then I see opinions that say they aren't; but, again, I want to stress that I'm not an expert on addiction.

BY MR. ESDALE:

Q. I understand that, but from an advertising standpoint, assuming the product is addicting, would

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that have any effect on buyer behavior?

MR. BEACH: Object to the form of the question.

THE WITNESS: From a marketing and advertising standpoint, I don't know because marketers and advertising people, as best I know, don't or are not conversant with what somebody says or means by the word addicted or whether you're an addict. So I can't answer the question.

BY MR. ESDALE:

Q. Now, in paragraph 3 it says, the subject of the causes of underage smoking initiation have been studied by government and academics for several decades?

A. Yes.

Q. And numerous factors have been correlated with underage smoking behavior?

A. Yes.

Q. You list by example several, and then it says that the research and data have consistently identified the significant predictors of underage smoking behavior as appear in familial influence, role model influence, personality traits, access, et cetera. Now, do you -- does advertising play any role in smoking initiation?

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A. It conceivably could play some role, but it has never been identified as a major factor in the decision to initiate smoking. And when I say it could play some role, based upon my experience in advertising the role it would be playing might be in selection of a particular brand somewhere in the initiation period, but there is just absolutely no research evidence to indicate that advertising has a causal relationship to the initiation of smoking.

Q. And you're basing that on areas of studies, I assume, that have been performed purchased? You list the TAPS, anything else?

A. Well, as I indicate in paragraph number 4, the subject of the causes of underage smoking initiation have been studied by a lot of different people, including the government, by marketing experts. This has been going on for a long time. And that advertising, marketing, and promotional activities have not been reported to cause underage smoking initiation in any of this research.

Q. When you say cause, I mean, are you using the term -- I mean, it's in quotes in this discussion. Does it have any influence on it or are you using the term cause as just that?

MR. BEACH: Object to the form of the

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question.

THE WITNESS: Well, I don't really understand the difference between influence and cause because to me influencing could be at least a part of the causation.

BY MR. ESDALE:

Q. So you're saying it doesn't have any influence or form a part of the causation of someone's decision to initiate smoking?

A. No, what I'm saying is very clearly spelled out at the end of paragraph number 4. That advertising, marketing, and promotional activities have not been reported -- and we're talking about government marketing experts decade-long -- several decade-long of research -- have not been reported to cause underage smoking initiation.

Q. And, again, I just want to make sure we're not mixing semantics. So it's your opinion then that there is not any information out there to show that advertising, marketing, and promotional activities influence someone's decision to initiate smoking?

MR. BEACH: Objection, asked and answered, now. I don't think you're fairly characterizing his testimony, Graham.

MR. ESDALE: I'm not trying to

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characterize it. I'm just asking if it is his testimony then that --

MR. BEACH: Just ask the question. I didn't mean to interrupt, and I've been trying not to interrupt and verbalize the basis of my objections because I'm sure you know what they are; but the lead into that question stuck me as unfair that's why --

MR. ESDALE: I don't mind you --

MR. BEACH: Why don't you --

MR. ESDALE: I'm not trying to mischaracterize. I'm just trying to get a gasp and understanding to make sure that we aren't playing a semantics, you know, game here with cause and influence and things like that, and that's all I want to do. So with that I'll reask the question. Hopefully with that background it might be more understandable.

BY MR. ESDALE:

Q. Is it your opinion, Dr. Martin, that advertising, marketing, and promotional activities have not been shown to influence underage smoking initiation?

MR. BEACH: Object to the form of the question.

THE WITNESS: I don't know of anybody who

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has studied influence smoking initiation. Most of the research that I have seen has been directed -- in fact, all of the research I've seen, in that area has been directed toward whether or not advertising, marketing, and promotional activities have a causal effect upon initiation of smoking. I think that's a very clear statement.

BY MR. ESDALE:

Q. And, well, you know, again, cause is -- I mean, I don't want to argue about it; but I'm just trying to make sure I understand what your testimony is.

MR. BEACH: Well, Graham, he's already described and defined for you influence versus cause. So maybe you should follow up on that --

MR. ESDALE: Let's --

MR. BEACH: -- if this is still a mystery.

BY MR. ESDALE:

Q. In your statement that it does not cause underage smoking, do you distinguish between influence and cause?

A. I would define influence as a part of causation. And that's what I said to you earlier in my testimony.

Q. Well, as a part of causation then, is

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there any literature that shows that advertising, marketing, or promotional activities contribute to cause of underage smoking initiation?

MR. BEACH: Before you answer that, would you please repeat the question? I want you to listen to this question very carefully.

(Whereupon, the testimony was repeated by the Court Reporter.)

THE WITNESS: It's very difficult to answer that question because, as I have said, all of the research that has been over several decades from government and marketing experts and so forth has indicated that there is -- have not been reported to cause underage smoking initiation. That is advertising, marketing, and promotional activities have not been reported to cause underage smoking initiation.

I just don't see, quite frankly, how you could have them contribute to but not cause. So I have a hard time understanding your question.

BY MR. ESDALE:

Q. Well, I think you mentioned, and maybe I can clear it up, maybe cannot; but there are various marketers, controlled activities, there are buyer controlled activities, there are certain information

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that are not controlled by either, I assume, out there that play a role in consumer behavior; is that correct?

A. Yes.

Q. And you've mentioned that some of these things that are not marketer controlled, or maybe I'm misstating it, so let me ask it differently.

You mentioned that there are certain things that influence buyer behavior such as familial influences and peer influences; is that correct?

MR. BEACH: Object to the form of the question.

THE WITNESS: They are among things that can influence buyer behavior, yes.

BY MR. ESDALE:

Q. And so what I'm asking you is: Among those things that can influence smoking initiation, is advertising, marketing, and promotional activities one of these things that can influence smoking initiation?

MR. BEACH: Object to the form of the question.

THE WITNESS: There is no evidence that I see in any of the research that would support that statement.

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BY MR. ESDALE:

Q. Do you have any opinions, other than based on that research, regarding whether or not advertising, marketing, and promotional activities have an influence on smoking initiation?

A. I'd like to have that question reread, if you don't mind.

(Whereupon, the testimony was repeated by the Court Reporter.)

THE WITNESS: Yes.

BY MR. ESDALE:

Q. And what is that opinion?

A. Well, the opinion is not just based on that research, but it's also based upon my knowledge, my training, my experience with advertising, marketing, and promotion now over close to 40 years.

Q. And I assume then is that your opinion is that advertising, marketing, and promotional activities do not influence smoking initiation?

MR. BEACH: Object to the form of the question. It misstates his prior testimony.

THE WITNESS: Again, I'll go back and try to reiterate for you what I have already said, and that is based upon the research that I have reviewed from the governments, from marketing experts, based

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upon my experience, training, education in advertising, marketing, and promotional activities, I can find no support for the statement that those activities, that is advertising, marketing, and promotion, are causal to underage smoke initiation. There is just nothing there that would support the statement. That's my opinion.

MR. BEACH: Graham, I don't want to interrupt your line of questioning, but it's now about 12:30, 12:35, something like that, and so maybe we can go off the record and talk about the schedule, whether it be for lunch or you finishing up or whatnot.

MR. ESDALE: Okay. We can go off the record real quick.

(A short break was taken.)

BY MR. ESDALE:

Q. Dr. Martin, let's go onto paragraph 5.

A. Okay.

Q. Just to paraphrase your opinions, it says marketing, advertising, and the promotion of cigarettes is not unique from other consumer goods. Could you expand a little bit on that opinion?

A. Well, as I say in the next sentence. I reviewed cigarette advertising from the 1930s until

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the 1990s and found that that advertising is similar to and in particular in recent times more conservative then for other consumer products on the basis of the general themes that are there, the presentation, and the imagery associated with that advertising.

Q. When you say more conservative, what are you speaking of?

A. Well in recent times the cigarette advertising has become even less specific. I would almost say that it's kind of almost sanguine in its approach to the market. It doesn't talk about specific claims and things of that sort.

Q. Then it says the use of coupons in premium items in connection with the promotion of consumer products are not unique to cigarette manufacturers?

A. That's true.

Q. Can you give me some examples of other consumer products that use coupons, premium items in connection with their promotion?

A. I wish I really could bring you to my house and in my kitchen and let you look at the compendium of coupons what my wife collects and uses all of the time for products.

Q. Are you talking about food products?

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A. Sure. Food products. I buy a product called Kibbles and Bits for my dog. There's always a coupon in the package of that. So couponing is a common thing that is used for that kind of consumer products.

Then if you notice on my curriculum vitae I was retained by the Court in San Diego, the Federal District Court in San Diego, and that was basically to make a present value analysis of coupons that were involved in products that kids, you know, sell in conjunction with school activities.

And then premium items are all over the place. I haven't seen, and I know they don't exist really anymore, any, you know, caps and T-shirts and all of these kind of things for cigarette companies, but I sure do see a lot of John Deere hats walking around and things of that sort. So you go all the way from the farm equipment people to the T-shirt and cap that I've gotten from Apple Computing to various -- there is a beloved T-shirt I have that came from Mr. Turkey, the people who make the turkey hot dogs. So there's a lot of those premium products that are all over the place. It's not unique to cigarettes.

Q. Is that pretty much the extent of your

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anticipated testimony regarding those items is that it's just, you know, cigarettes, along with food items, John Deere, everything else, is just a part of advertising and promotion?

A. Well, yes, but there is difference with cigarettes today and that is that the couponing is much different. I mean, you know, there are so many restrictions on cigarette marketing that in that sense cigarettes are different.

I'm just saying here that to the extent that coupons were used at a period of time, and premium items were used at a period of time, that this is not unusual or an unusual activity for cigarettes; but it is unusual that cigarette manufacturers do not put their logo, their name, and things like that on their premium items where other manufacturers do.

Q. Is that something that's occurred recently or is that over a period of time?

A. My understanding is it's over a period of time.

Q. When was the last time or ever has any of the cigarette manufacturers put their names on promotional products?

MR. BEACH: Objection to the form of the

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question.

THE WITNESS: I don't know the date.

BY MR. ESDALE:

Q. Did it stop at some point in time?

MR. BEACH: Object to the form of the question.

THE WITNESS: I don't know whether it ever did happen.

BY MR. ESDALE:

Q. Okay. Paragraph 6, and that is, marketing for products in the mature stage and the product life cycle cannot expand the market. Explain what you mean by that.

A. Well, I mean it's pretty fundamental that products that are in a mature phase of the product life cycle are those where there is not going to be a major amount of growth in the product sales itself. There may be some changes in market share among various brands, but the product itself is not going to have an expansion or growth in its sales.

Q. When you're speaking of products itself, are you talking about cigarettes?

A. That would be a product, yes.

Q. But in this case are you talking about the entire cigarette market?

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A. I'm talking about cigarettes as a product.

Q. Well, I'm just trying to understand. I'm not an expert on this. It says marketing for products in the mature stage of the product life cycle cannot expand the market. And what I'm trying to understand is, are you talking about Camels or are you talking about cigarettes?

A. Well, given those two it would be cigarettes.

Q. So just to help me understand then, is it your opinion that the cigarette industry as a whole is only going to sell so many cigarettes in the United States market because that is a mature market or the products are in a mature stage in that market?

MR. BEACH: Object to the form of the question.

THE WITNESS: Actually, the data would show probably more appropriately that they're in the next stage of the product life cycle, and that is the decline stage.

BY MR. ESDALE:

Q. And then next sentence is, marketing for products in the mature stage of the product life cycle at best effect brand choice by consumers. In other words, is designed to maintain customer loyalty

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or solicit brand switching. Help me understand that, if you would. Are you saying that, no -- well, what are you saying by that?

MR. BEACH: By that you're referring to the final sentence of paragraph 6 of his expert disclosure?

MR. ESDALE: Second sentence of 6.

THE WITNESS: The product life cycle is one of the oldest concepts in marketing, and we know from research associated with the product life cycle that what happens in the mature phase is that any marketing activities are going to be directed at and will have the affect of either switching or defending the brand choice by consumers.

So the strategies in the market in the mature stage are designed to try and keep the customers you have, that is to maintain the loyalty of the customers you currently have, or to try and get customers to switch from somebody else's brand.

BY MR. ESDALE:

Q. Well, let me ask you about this. Aren't there new customers entering the market all of the time?

A. Sure.

Q. Now, does advertising play any role on

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their choice of products?

MR. BEACH: Object to the form of the question.

THE WITNESS: Well, marketing, not advertising alone, but marketing could have the affect of getting them to choose a brand. The product itself is in the mature stage, and so as a result the marketing activities that are directed toward somebody who is new to the market -- and we're talking about -- we have to define new, but it would be to get them to become loyal to our brand or to keep them from choosing the brand of some other manufacturer.

BY MR. ESDALE:

Q. And that's why I just wanted to make sure that I understood it. When you say it's designed to maintain customer loyalty, you're talking about the need to establish customer loyalty?

A. It potentially could be.

Q. And that would be in a situation -- I'm just understanding that when you use the word maintain customer loyalty or solicit brand switching to me that indicates that you've already got a customer using a product; am I incorrect in that?

A. Yes, that would be -- actually, that's

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what it is. You can't maintain customer loyalty or effectuate brand switching unless the person is already using the product.

Q. And that's why I wanted to go to the fact that I assume then that marketing even for products in a mature stage can have an effect on which product somebody used?

A. No, it can not. You use the work -- you are confused. You're using the word product and brand interchangeably. Its role is to, with somebody who is new in the market, it would influence their brand decision.

Q. Okay. So in addition to maintaining customer loyalty or solicit brand switching, marketing can also effect the initial brand choice?

A. No, I didn't say that. That may not be true. Initial brand choice, as we see in the case of Mr. Seaborn was not influenced by advertising. There's no indication it was. And, in fact, you know, he tried -- at least I anticipate that he tried a lot of different brands, you know. What was the brand he smoked depended on what was available from one of his peers as he bumped them.

So we're not talking about the first brand somebody smoked or anything of that sort. We're

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talking about that advertising or marketing -- I prefer to use marketing because it encompasses more than advertising. That marketing can have an effect upon the brand decision somewhere in the process.

Q. All right. Now, again, let's look at that very last sentence and that's what I'm trying to clear up I guess is your statement that cigarette advertising is brand directed and is designed to maintain customer loyalty or solicit brand switching?

A. Correct.

Q. And just to make sure we're clear on the main point, or at least the main point I'd like to try and clear up is, does cigarette advertising play a role in additional brand choice?

MR. BEACH: Asked and answered.

THE WITNESS: I think I've already directed my answer to that question about initial brand choice.

BY MR. ESDALE:

Q. Okay. Well, let me ask it a different way. Can cigarette advertising play a role in initial brand choice?

MR. BEACH: Same objection.

THE WITNESS: It conceivably could, but there is too much testified to indicate that the

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initial brand of cigarette that is smoked -- and we're talking about the brand decision -- is not going to be one that is associated with advertising. There's too much government data. There's too much other data to indicate that the first brand that is smoked is somehow influenced by advertising.

Q. Well, let's back away from the first brand that is smoked, but the first of brand that a smoker uses as his usual and customary brand.

A. Well, I don't know what you mean by usual and customary brand; but, I mean, I'm trying to recall Richard Seaborn's smoking behavior. I kind of recall that he didn't really like into -- that maybe a poor choice of words -- that he did not really establish a usual and customary brand, meaning that he bought that brand all of the time up until, gosh, he must have been about age 21.

Q. And you're basing that on his deposition?

A. His deposition and the other depositions that I've read. And you've got a lot list of those I think by now.

Q. I do. Let's go to paragraph 7. The marketing of tobacco products has not effected either the awareness of or belief among consumers and the health risks long associated with smoking. And then

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what are you basing that statement on?

A. Well, the fact that there is plenty of evidence to indicate that people were aware of and believe that there was a health risk associated with smoking. And certainly in the case of Mr. Seaborn that is true where he acknowledges that he understood -- I mean, he understood the risks with terms that even predate his birth of, you know, cancer sticks and coffin nails and things of that sort, all the way through his life.

Q. Well, I understand in Mr. Seaborn's case what you're saying there, but specifically I assume it's your opinion that marketing of tobacco products has not effected awareness or belief among consumers and the health risks associated with smoking?

A. Yes, and there are, I believe, surgeon general's reports and things of that sort that confirm that.

Q. Well, let me make sure I understand that. You mentioned that Mr. Seaborn -- did you say did he acknowledge the risks -- and I can't remember. What terms are you telling me that he was aware of? You mentioned cancer sticks and coffin nails?

A. Yes, and he was asked specific about cancer sticks and what that meant and he says it

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causes cancer. Coffin nails -- my recollection -- I'm basing this on recollection of his deposition is that when he talked about coffin nails he said that it would kill you. He also used the terminology, bad for you.

Q. And that's what I was going to ask you about. Aside from the fact that he had heard of these terms before, do you know if he believed them to be true?

MR. BEACH: Objection to the form of the question.

THE WITNESS: Well, as I said, I see a large number of citations where he affirms that he understood that there were health risks associated with cigarette smoking. So he was aware of and believed that there were health risks associated with cigarette smoking.

BY MR ESDALE:

Q. The second part of that paragraph, the lack of impact of marketing may be understood in terms of the manner in which consumers process information from various sources and can be verified based on governmental reports, academic literature, and polling data?

A. Yes.

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Q. Explain what you mean by that sentence?

A. Well, I'll give you an illustration. One of the kind of primary constructs in information processing is that because of the sheer weight of information that comes at people that what they do is they screen information, and they screen it basically in three different ways.

First of all, they selectively expose themselves to certain information. In other words, that they juxtapose themselves to certain kinds of information. In other instances they selectively perceive certain information, and maybe we can use a kind of on-the-street term they only see what they want to see.

Then, finally, there is selective retention. That is that they file away in their memory only certain pieces of information. Now, we've come to understand from that fairly simplistic model of filtering of information that there are different levels of retention that people have. So there's a kind of the top-of-the-mind awareness that people have, but then there is kind of if you want deep awareness that people or deeper retention that people have that they go to when they need it, but it is not on a kind of a top-of-the-mind basis.

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So that we know that there's a complexity in the way that consumers process information. We know that marketing has some, but has a limited impact upon that processing of information, and we have a lot of information -- we have a lot of basis for that found in government reports, certainly in the academic literature, and there is a host of polling data that have addressed that.

Q. And something real quick, now that I've got your list of documents --

A. Yes, sir.

Q. -- reviewed.

There's a bunch of stuff at the bottom, worldwide web pages reviewed?

A. Yes, sir.

Q. What are you using those for as far as any opinions in this case?

A. Well, for a number of kind of reasons, I guess, I think. First of all, those are Seaborn documents -- I put them under Seaborn documents because they are things that I collected on my own. They weren't furnished by Jones, Day. I have been searching my memory to understand whether I've been to Clayton, Alabama. I've been to Alabama quite a number of different times in conjunction with some

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consulting work that I did for the Rexum Corporation over in -- I'm trying to think of the name of the town, but it's where they machine barillium, and also I've had an ongoing relationship with the dean of the business school at the University of Alabama and also with colleagues at Auburn University. They've been reviewers of mine on an advertising journal that I edit, and, in addition to that, they have been good colleagues in my professional life.

So I wanted to, you know, familiarize myself with whether or not I had been to Clayton, Alabama. I must tell you that I still don't know whether I've been there. I may have been. It's in Southeastern Alabama, and I was kind of surprised when I read Dean Krugman's deposition that he hadn't been to Barbour County, hadn't been to Clayton and really didn't know anything about it, and I thought it would probably be wise if I found something out about Clayton, Alabama.

So I took the opportunity one afternoon to go on the worldwide web and to bring up, and was quite, by the way, surprised that Clayton, Alabama, actually does have a web page, not a bad web page by the way as it goes, and it allowed me to have an understanding of what was the environment within

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which Richard Seaborn has lived, because remember that culture and environment is part of the things that might have an influence upon prior behavior.

So I got a feeling for what is the community within which Mr. Seaborn lives and gave me an idea of who were some of the players in the community and Rebecca Beesley, the mayor, and things of that sort.

Q. Did you, in addiction to those items reviewed, do you have an index or a list of the documents, your reliance documents that you have there with you?

A. No, I've just got three big boxes, besides this list that I gave you which are the Seaborn documents reviewed, I don't have an index list of those. They're just in three big banker boxes here?

Q. Are there any other books in there other than that 800-page one that we looked at?

A. My recollection is that there are.

Q. I don't want to, you know, copy those whole books. Let's go off the record for a minute.

(Discussion off the record.)

BY MR. ESDALE:

Q. Go ahead and finish up the discloser now. A lot of this -- and I don't want to replow stuff

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we've already talked about. We're moving into paragraph 8.

A. Okay.

Q. You already, I assume, you've told me about the opinions you have regarding the sources of information on smoking and health that Mr. Seaborn was exposed to?

A. Well, yes, I outlined those from the factual record in the second sentence in paragraph 8.

Q. Do you have any other information or are you basing your opinions on his sources of information on anything that is not listed on the Seaborn documents?

A. No.

MR. BEACH: Just so it's clear. Your question, you were referring, I'm assuming, Graham, to opinions specific to Mr. Seaborn and this case? Because Dr. Martin has already testified that that list that we've been referring to is not a list of other reliance documents that are contained in the boxes that we've provided at this deposition. I just want the record to be real clear about that.

MR. ESDALE: Just so we are, as far as Mr. Seaborn's -- aside from the reliance documents, as far as Mr. Seaborn's sources for information on

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smoking and health, it's my understanding the only sources that you are using for that are the ones listed on Seaborn documents reviewed.

THE WITNESS: No. And I may have misunderstood your question. I do rely upon the factual record relative to Richard Seaborn that is contained in the documents on the list that was provided to you; however, it also ought to be understood that there are documents in those three documents, reliance documents, that discuss and describe the information environment that existed during the period of time prior to and during the period of time that Mr. Seaborn engaged in smoking behavior that would perhaps be relevant to understanding the kinds of information that were available to him and that he might have looked at.

BY MR. ESDALE:

Q. Okay. Can you give me any examples of those?

A. Well, one of those would be that within his deposition Mr. Seaborn discusses the fact that he regularly read the Reader's Digest. There is certainly a record of the publication of health risk studies that appeared in the reader's digest during the 1950s. So that coupled with my own experience in

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the 1950s with those health risk research would be coupled to the factual record, which is Mr. Seaborn said he read the Reader's Digest. There's an example for you.

Q. And then going down you say you may discuss the evidence and the factual record relating to the impact or lack thereof of cigarette marketing and/or public statements on Mr. Seaborn's smoking behavior, and that includes his decisions to start. Have we already talked about all of your opinions as far as the factual record regarding his opinions to start smoking?

MR. BEACH: Objection to the form of the question. Let me just editorialize here for a second Graham, obviously you've asked him a few specific questions about that subject. I don't see how he can answer the question that you've just opposed, but with that speaking objection notwithstanding, Doctor, if you want to try to answer his question, please, go ahead.

THE WITNESS: No, it would be very difficult to answer that question. I'm sorry.

BY MR. ESDALE:

Q. Well, other than what you've discussed as far as his peer situation and economic situation, are

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there any other opinions you have regarding cigarette marketing upon Mr. Seaborn's decision to start smoking?

MR. BEACH: Let me object to the form of the question, Graham, and I'm sure this was not intention. Dr. Martin, for example, also spent a lot of time talking about the family environment in the Seaborn home. So I don't think your question fairly restates his testimony. Maybe if you tried it fresh you'll get an answer to your question.

BY MR. ESDALE:

Q. Well, let's just cover it that way. What opinions do you intend to express regarding the impact or the lack thereof of cigarette marketing and public statements on Mr. Seaborn's decision to start smoking?

A. Well, the first of all is that this occurred when he was at the age of 15 to start smoking; that there is no evidence that he offers up that there was any marketing or advertising or public statements relative to his undertaking smoking for the first time; however, I did say in my previous testimony that he felt that it was a right of passage and fitting in.

Now, to the extent that that might have

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been influenced by advertising, I don't know. I suspect it is not. And so I don't see any evidence that comes from Richard Seaborn himself that there's any marketing or cigarette advertising or public statements that would have caused him to start smoking; however, I would go beyond that and say that there is evidence, and it's in those boxes, it's in my experience, it's in the records that I have read previously, it's in listening to various or having reviewed various depositions, there is no evidence that there is any marketing activities that cigarette companies engaged in to have adolescents initiate smoking.

Q. Have you been furnished with any internal tobacco company documents?

A. I have not been furnished with any. I have certain seen some internal tobacco company documents over the period of looking at depositions and being cross-examined in both depositions and trial.

Q. There are any other tobacco company documents in any of the boxes there that you have?

A. I don't know but I don't believe so.

Q. Then going back to that same area that -- we'll just change categories from his decisions to

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start smoking, let's look at the same thing, the factual record relating to the impact or lack thereof of cigarette marketing and/or public statements on his decision to continue and then eventually stop smoking,

A. Well, they're replete throughout his deposition indications of how marketing statements were processed or used in his decisions to continue smoking. For instance, he does say by the 1970s that he began to take the cigarette warnings on the packages seriously and understood what they were all about.

He also acknowledges that he did not believe any testimony that was offered by tobacco executives in congressional hearings. He had never heard of the Tobacco Research Institute, or whatever it's called. He had not heard of Helin Nolten, the public relations firms. He had not even heard of the American Tobacco Company or Liggett Meyers. He had not read any of the statements of Brown & Williamson. He had not read any of the statements of Philip Morris. He didn't seem to quite know who they were. He never heard any of the information, not from cigarette companies and their marketing, but from the American Lung Association, the American Heart

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Association.

He doesn't recall having seen or having read the so-called Frank statement. He did not understand or having read or remembered any statements relative to cigarettes and science. He did not know anything about the, quote, open debate. He could not identify who Clarence Little was.

So there are some illustrations, but, again, it is important for me to note that outside of the deposition of Mr. Seaborn that during this period of time when cigarettes were advertised, Mr. Seaborn consistently understood and acknowledges that cigarettes were at least bad for him and at most could kill him.

Q. Also at the end of that paragraph it discusses that you may comment on opinions expressed by other witnesses?

A. Yes.

Q. And what opinions do you have that were expressed by other witnesses, or what opinions do you have on opinions expressed by other witnesses?

MR. BEACH: Object to the form of the question.

THE WITNESS: Well, there's a lot of other witnesses that haven't already been heard, but there

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are some who I understand have to be potentially heard, and certainly I have not made a conclusion on the opinions or the offering that has been made by Dr. Krugman since I understand that has still got a complete his deposition, and I wouldn't want to form any opinions relative to his testimony until that deposition has been completed.

I certainly have reviewed the depositions of the familiar members and come away with at least some feeling for what was the environment that existed within the Seaborn home both among his siblings and also among his children.

BY MR. ESDALE:

Q. But as we sit here today, based on what you've read of Dean Krugman's deposition testimony, you don't have any opinions on that at this time?

MR. BEACH: Object to the form of the question.

THE WITNESS: You know, I don't have a firm opinion or a conclusory opinion simply because, number one, Dr. Krugman seemed to offer up in his deposition that he hadn't read most of the documents in the case, including Mr. Seaborn's deposition, I believe; had never been to Barbour County, knew nothing about it and made no effort to understand it;

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but I think it would be unfair on my part to offer a conclusory opinion about Dr. Krugman's testimony until such time as that testimony has been completed.

BY MR. ESDALE:

Q. Are you aware of whether the continuation of his deposition has been limited to a certain category?

A. No.

Q. Well, aside from, do you have any, based on his deposition that you have read, do you have any opinions or disagreements with any statement he's made in there?

A. Absolutely.

Q. Can you give me some examples of those?

MR. BEACH: The question refers to his deposition, I believe.

THE WITNESS: Hold on. I'll be with you in a minute. I have to get his deposition to refresh my memory.

MR. BEACH: Graham, I'm going to do the obvious and object to the form of the that question. It seems to me that it's more than a little unfair to the witness to say there is a -- how many pages is that transcript?

THE WITNESS: 275 pages.

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MR. BEACH: About a 275 page transcript and you say is there anything in the transcript that you disagree with. That seems to me that that's a bit of an unfair question, so on that basis I'm objecting to the form of the question.

MR. ESDALE: I will ask it another way.

BY MR. ESDALE:

Q. And that is, do you intend to offer any opinions on the opinions of Dean Krugman as given in the deposition that you reviewed?

MR. BEACH: I'm going to continue to object to the form of the question for the same reason I previously stated, in addition to others, in part of which is that in part it's asked and answered.

MR. KOETHE: Graham, this is Paul. I mean, also I think it's objectionable in the sense that it's not clear yet which, if any, of these opinions Dr. Krugman may offer or may be permitted to offer at trial. So I think it's a little bit difficult to assess -- I think this disclosure was largely drafted with trial testimony in mind.

MR. ESDALE: Well, I just wanted to make sure. It's mentioned in the disclosure that he may be asked to comment on opinions expressed by other

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witnesses, and as we sit here today, I just wanted to get an idea about what those opinions are understanding that, you know, whatever Dean Krugman's testimony at trial may be the same or different than he gave at deposition, I assume it's going to be the same, and I just want to get an idea since this is my opportunity to find that out.

MR. BEACH: I understand that perfectly well. I'm just making the obvious observation that, in addition to the point that Paul made, put a 275 page transcript in front of somebody. I'm sure that Dr. Martin would be happy and be as forthcoming as possible to give you some examples, but whether it's possible to do each and everyone seems to me unreasonable.

Doctor, do you want to go ahead and give Mr. Esdale some examples of opinions articulated by Dr. Krugman in his deposition to which you may have some level of disagreement?

THE WITNESS: Okay. I'll try as best I can because there's an awful lot of things that I have noted in his deposition transcript that appear to be his opinions and which I have some disagreement with.

Some of these are the fact that he doesn't

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have -- well, he has an opinion, but he doesn't have any record to go on. First one is on page 27, line 10. The question is asked: Now, do you know, do you recall as you sit here today whether or not his father or mother smoked? ANSWER: I do not remember.

As you sit here today, do you recall whether or not his siblings smoked? I do not remember.

Therefore, I suspect that Dr. Krugman is offering the opinion that he doesn't know whether or not there was a parental or sibling influence on the smoking decision by Mr. Seaborn. And if he had read Mr. Seaborn's deposition transcript he would know otherwise.

Now on page 28 he says, I'm not sure that Mr. Seaborn recalled seeing a particular ad that it's not necessarily unique situation a unique situation pardon me. Then the question -- I'm sorry, this is on page 28, line 16. Now, do you know, sir, whether when Mr. Seaborn started smoking he believed that smoking was dangerous? I don't know the answer to that.

There is an indication in Mr. Seaborn's deposition transcript, and we've already been over that, at least that there's some indication that

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Mr. Seaborn did understand the health risks associated with it.

On page 29, line 49, the Plaintiff in this case, now, do you know, sir, whether when Mr. Seaborn started smoking he hid his smoking from his parents? The answer is I'm not, I'm not I'm not sure on that point. I would be, I would be guessing, so I would rather not. I need to go back and check my notes about this individual behavior. Having not read the deposition transcript, I guess the opinion is that he doesn't know.

He and then I go over to page 32, and on page 32 he discusses -- there is a discussion of whether or not he has read the depositions of two of the medical doctors for Mr. Seaborn, Kenneth Yam and Pamela Tranthum. So his opinion is that he doesn't know whether or not those people ever gave him any kind of warning.

The next one. I'm looking through to see if I can find them in this transcript. This is a long transcript of course.

Q. Yes.

A. When he comes up on page 38.

Q. Go ahead.

A. And he's talking about the influences on

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behavior, I guess, and he says, the difficulty in isolation of the influence factor such as advertising other forms of marketing communication becomes an empirical question about the phenomenon rather than an impact question about the phenomenon. Therefore just because it might be difficult empirically in many cases to isolate the influence of that phenomenon does not at all mean the phenomenon in question isn't operating.

I would disagree with him on that. He's in effect saying, well, if you can't measure it and there's no empirical way to study it, nevertheless I kind of -- you get the feeling that what he's saying as his opinion is is that in my heart I know it's true but I just can't measure it. I would disagree with him. I think that if he can't measure, it he cannot come out with a statement to say that the phenomenon in question is operating.

He says in here on page 41. Indeed those are factors such as readership recall, consumer opinion, attention, comprehension and the rest that I point out in my classification schemes later on in the chapter. That goes directly to the earlier answer that I'd given you that preceded this question, and that is that it's a difficult

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phenomenon to measure. Just because it's a difficult phenomenon, doesn't mean it doesn't occur, and therefore you measure. Measurement becomes difficult and you measure other kinds of items.

If you can't measure it it doesn't mean it's not there. Additional we use surrogate measures to understand the influence. It is true we use surrogate measures, but in that opinion he does not go into say that those surrogate measures are, in most cases, are not very reliable. Now, here is one that I'm looking for the next one.

MR. KOETHE: Graham, this is Paul. I'm wondering, does that gave you a flavor?

BY MR. ESDALE:

Q. And as opposed to going through the deposition, if you've just got anything off the top of your head, Dr. Martin, that any conclusions or opinions that, not necessarily fact specific, like going through the deposition, but any opinions that Dean Krugman offered regarding marketing concepts or anything like that that you have specifically in mind that you had a disagreement with as we sit here?

MR. KOETHE: And that would be subject to the same earlier objection.

MR. ESDALE: Sure.

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THE WITNESS: The only one that I can offer without just going page by page through this 270 plus deposition is the following: That is, I was surprised within the deposition that in discussing his textbook, last published in 1994, that Dr. Krugman disagreed with material that is within the textbook, and, in effect, disavowed some of the material that is published in the textbook on which he serves as a co-author.

He makes the statement within there that that was material that was written by his co-author, Dr. Leonard Reed, and he doesn't agree with it. I disagree with that that's the way it is done. That is not the way it is done. That when you put something in a book or in an article that has your name on it that to then disavow and claim that your co-author wrote that and that you never bothered to come to an agreement with each other on it or that within -- I mean at least live in the statement that you would have put this was written by Dr. Reed and I, Dr. Krugman do not agree with it, within the book is just not the way it is done and I would disagree with his opinions that whatever Dr. Reed wrote in there are wrong or he disagrees with. He agreed with them when he put his name on there and his name is on

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there just like Dr. Reed's.

In addition to that there are two other co-authors of the book who go back historically with the book, Arnold Barban and Dunn. I can't think of his first name right off the top of my head. They are the original writers of the book, one would wonder whether or not he disagrees with things they wrote. I disagree with his disagreement.

BY MR. ESDALE:

Q. Anything else off the top of your head?

A. Not off the top of my head.

Q. Let me just clear up a few things. Now you've got your three boxes of reliance documents there?

A. Yes, sir.

Q. Any notes?

A. Yes.

MR. ESDALE: Can we get those marked?

MR. BEACH: Do you mind giving up your original?

THE WITNESS: I would like a copy if I can't keep the original because they are my notes.

MR. ESDALE: That's fine with me. I just want to make sure I get a copy of them, and we can do that however you like.

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MR. KOETHE: Why don't we agree that we'll mark them as the nest exhibit, which is Number 5, and we'll do that once we finish up here, Graham, and we'll give a copy to the court reporter and we'll mark it as Exhibit 5.

MR. ESDALE: Okay.

(Whereupon, a document was marked as Martin Deposition Exhibit Number 5)

BY MR. ESDALE:

Q. Any correspondence between you any and any of the attorneys or anybody else involved in this case, Dr. Martin?

A. No.

Q. Do you actually have your billings for that case with you?

A. No.

MR. BEACH: Well, billing, otherwise I object to the question, misstating his testimony.

BY MR. ESDALE:

Q. Did you actually print out the web pages that you reviewed?

A. Yes, I did; but I should alert you that they're in color.

MR. ESDALE: I'll take black and white copies of those. Can we mark those separate than the

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stuff I've already got.

MR. KOETHE: That will be Exhibit 6.

MR. ESDALE: Never mind. I have a list of them.

BY MR. ESDALE:

Q. Dr. Martin, do you have any contract of employment regarding your expert testimony in this case?

A. No.

MR. ESDALE: I think that's it.

MR. BEACH: All right then, we will go ahead and have that one, his notes, marked as promised, and we are concluded.

MR. ESDALE: All right. Are you going to go ahead and copy the reliance documents?

MR. BEACH: Before we decide that and before we go off the record I'll just note that we do not waive reading and signing. So we want the original sent to the witness for that purpose.

Now, do we need to discuss the copying of documents on the record or not?

MR. ESDALE: No. We can go off the record for that.

MR. BEACH: So we are concluded for the purposes of this record today at this time.

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(Reading and signature not waived.)

(Whereupon, at 1:35 p.m., the deposition was adjourned.)

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COUNTY OF _____)

I, the undersigned, declare under penalty of perjury that I have read the foregoing transcript, and I have made any corrections, additions or deletions that I was desirous of making, that the foregoing is a true and correct transcript of my testimony contained therein.

EXECUTED this _____ day of _____, 2000, at _____, _____.
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WITNESS: CLAUDE R. MARTIN, JR.

DATE: MONDAY, AUGUST 28, 2000

CASE: SEABORN VS. R.J. REYNOLDS

Please note any errors and the corrections thereof on this errata sheet. The rules require a reason for any change or correction. It may be general, such as "To correct stenographic error," or "To clarify the record," or "To conform with the facts."

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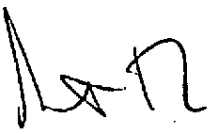
I, STEVEN POULAKOS, THE OFFICER BEFORE WHOM THE FOREGOING DEPOSITION WAS TAKEN, DO HEREBY CERTIFY THAT THE WITNESS WHOSE TESTIMONY APPEARS IN THE FOREGOING DEPOSITION WAS DULY SWORN BY ME; THAT THE TESTIMONY OF SAID WITNESS WAS TAKEN BY ME IN STENOTYPY AND THEREAFTER REDUCED TO PRINT UNDER MY DIRECTION; THAT SAID DEPOSITION IS A TRUE RECORD OF THE TESTIMONY GIVEN BY SAID WITNESS; THAT I AM NEITHER COUNSEL FOR, RELATED TO, NOR EMPLOYED BY ANY OF THE PARTIES TO THE ACTION IN WHICH THIS DEPOSITION WAS TAKEN; AND, FURTHER, THAT I AM NOT A RELATIVE OR EMPLOYEE OF ANY ATTORNEY OR COUNSEL EMPLOYED BY THE PARTIES HERETO, NOR FINANCIALLY OR OTHERWISE INTERESTED IN THE OUTCOME OF THE ACTION.



NOTARY PUBLIC IN AND FOR THE DISTRICT OF COLUMBIA

My Commission Expires:
April 30, 2003

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CERTIFICATE OF CERTIFIED COPY

I, *Juana Rangel*, an employee of Atkinson-Baker, Inc., Court Reporters, certify that the foregoing pages 1 through 131, constitute a true and correct copy of the original Deposition of Claude R. Martin, JR., taken on August 28, 2000.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Dated this 2nd day of October, 2000.

Juana Rangel

Juana Rangel

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LETTER TO DEPOSITION OFFICER – ERRATA SHEET

DEPOSTION OF: Claude R. Martin, Jr.

DEPOSITION DATE: August 28, 2000

CASE NAME: Seaborn v. RJ Reynolds

The following are the corrections which I have made to my transcript :

PAGE #	LINE #	CORRECTION	REASON FOR CORRECTION
8	7	Change "here" to "with"	Transcript error
10	3	Change "Angle" to "Engle"	Misspelling
12	15	Change "Angle" to "Engle"	Misspelling
13	21	Change "Carlile" To "Carlisle"	Misspelling
14	7	Change "discloser" to "disclosure"	Misspelling
14	7	Change "as" to "and a"	Transcript error
17	5	Change "astrict" to "asterisk"	Misspelling
18	1	Change "effective" to "effect"	Transcript error
18	8	Remove period after "Process" and insert colon	Grammatical correction
19	8	Change "home" to "which"	Transcript error
19	9	Change "at" to "an"	Transcript error
19	15	Change "Angle" to "Engle"	Misspelling
22	18	Change "merky" to "murky"	Misspelling
24	18	Change "discloser" to "disclosure"	Misspelling
24	24	Change "discloser" to "disclosure"	Misspelling
25	5	Change "discloser" to "disclosure"	Misspelling
36	25	Change "Pola" to "Pollay"	Misspelling
39	20	Change "and" to "and I"	Transcript error
39	25	Change "success" to "successor"	Transcript error
44	10	Change "cased" to "scaes"	Misspelling
45	17	Delete "easterly"	Transcript error
51	11	Change "plan" to "plain"	Misspelling
51	19	Change "in" to "and"	Transcript error
56	14	Change "Cottler" to "Kotler"	Misspelling
58	23	Change "Cottler" to "Kotler"	Misspelling
60	15	Delete the second "in" in the line	Transcript error
60	18	Change "documents" to the singular "document"	Transcript error
66	4	Change "tarental" to "parental"	Misspelling
70	2	Change "bumped" to "bummed"	Transcript error
71	17	Insert "Q." before "Do you..."	Transcript error
73	18	Insert "Q." before "And it was my.."	Transcript error
75	3	Change "discloser" to "disclosure"	Misspelling
78	4	Change "pay" to "play"	Transcript Error
100	8	Change "word" to "work".	Transcript Error

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100	23	Change "bumped" to "bummed"	Transcript error
101	25	Change "testified" to "evidence"	Transcript error
102	20	Change "a lot list of" to "my list about"	Transcript error
102	20	Insert comma after "those"	Grammatical correction
107	1	Change "Rexum" to "rexham"	Misspelling
107	3	Change "barillium" to "beryllium"	Misspelling
108	7	Change "Beesley" to "Beasley"	Misspelling
108	9	Change "addiction" to "addition"	Misspelling
108	24	Change "discloser" to "disclosure"	Misspelling
110	24	Title caps for "reader's digest"	Transcript error
114	17	Change "Helin Noltent" to "hill and Knowlton"	Misspelling
116	9	Change "familiar" to "family"	Misspelling
122	16	Delete comma after "measure"; insert comma after "it"	Grammatical correction

I, the undersigned, declare under penalty of perjury, that I have read the above-referenced deposition transcript and have made any corrections, additions or deletions that I was desirous of making; that the transcript contains my true and correct testimony.

EXECUTED this sixth day of October, 2000
At Ann Arbor, Michigan

(Deponent)

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STATE OF Michigan)
) ss.
COUNTY OF Washtenaw)

I, the undersigned, declare under penalty of perjury that I have read the foregoing transcript, and I have made any corrections, additions or deletions that I was desirous of making; that the foregoing is a true and correct transcript of my testimony contained therein.

EXECUTED this Sixth day of October, 2000, at Ann Arbor (City), Michigan (State).

Charles R. Humphrey

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In HUMPHREY

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IN THE CIRCUIT COURT OF
BARBOUR COUNTY, ALABAMA
CLAYTON DIVISION

RICHARD L. SEABORN,	*	
	*	
Plaintiff,	*	
	*	
vs.	*	CASE NO.: CV-96-0215
	*	
R.J. REYNOLDS TOBACCO COMPANY, et al.,	*	
	*	
Defendants.	*	

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NOTICE OF TAKING DEPOSITION BY TELEPHONE CONFERENCE

PLEASE TAKE NOTICE that **via telephone conference** on **Monday, August 28, 2000, at a time to be determined,** from **a place to be determined,** Plaintiff will take the deposition of **Claude Martin, Ph.D.,** as an expert witness to be called at the trial of this case, upon oral examination before an officer authorized by law to administer oaths. The deposition will continue from day to day until completed. You are invited to attend and cross-examine the witness.

The matters on which examination is required and the documents to be produced at the deposition are:

1. Testimony and documents evidencing or relating to any and all documents, correspondence, reports, medical reports, photographs, standards, charts, memos or writings of any kind reviewed by said expert in preparing for this case.

2. Testimony and documents evidencing or relating to any and all documents, correspondence, reports, charts, memos, photographs, measurements,

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drawings, blueprints, video tapes, or writings of any kind that said expert has relied on in forming opinions and conclusions in this case.

3. Testimony and documents relating to any and all opinions of said expert in this case, including any reports, memoranda, documents, notes and/or writings of any kind whatsoever reflecting this expert's opinions in this case.

4. Testimony and documents evidencing or relating to the said expert's education, background, experience, qualifications and services, including, but not limited to, a copy of this expert's resume.

5. Testimony and documents evidencing or relating to any and all lawsuits or claims in which said expert has been consulted and/or testified. This should include, but not be limited to, the name of the plaintiff, the name of the defendant, the court where the action was brought and the civil action number.

6. Each and every item of correspondence, memo or other document in this expert's file.

7. Each and every memo, item of correspondence, document or any other item sent from any of the attorneys for the defendant to this expert.

8. A complete list of each and every lawsuit or case this expert has done any consulting work in. This should include, but not be limited to, the attorney whom this expert was working for, civil action number, state and county in which the suit was filed and a brief summary about the facts of the case.

9. Testimony and documents evidencing or relating to all contracts or writings confirming deponents employment in this case.

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10. Testimony and documents evidencing or relating to all reports, writings, memoranda, handwritten notes in any form, and any other notes deponent has made, whether handwritten or recorded by audio/visual means, related to this case.

11. Testimony and documents evidencing or relating to all hour sheets or bills by this deponent and this deponent's employees.

12. Testimony and documents evidencing or relating to all depositions or summaries of depositions provided to deponent for review in this case.

13. Testimony and documents evidencing or relating to all articles written by deponent on any issue involved in deponent's testimony.

14. All prior depositions given by this deponent on similar issues.

15. All documents that you intend to utilize or testify about or to be offered during your direct examination in this case.

R. GRAHAM ESDALE (ESD002)
Attorney for Plaintiff

OF COUNSEL:
BEASLEY, ALLEN, CROW,
METHVIN, PORTIS & MILES, P.C.
Post Office Box 4160
Montgomery, AL 36103-4160
(334) 269-2343

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CERTIFICATE OF SERVICE

I hereby certify that I have served a copy of the foregoing document upon all counsel of record as listed below **via facsimile** and by placing a copy of same in the United States Mail, first class, postage prepaid on this the 16th day of August, 2000.

OF COUNSEL

Samuel H. Franklin
William H. Brooks
Stephen J. Rowe
Lee M. Hollis
LIGHTFOOT, FRANKLIN & WHITE
The Clark Building
400 - 20th Street, North
Birmingham, AL 35203

Richard Stuhan
JONES, DAY, REAVIS & POGUE
North Point
901 Lakeside Avenue
Cleveland, OH 44114

James L. Martin
Post Office Box 14
Eufaula, AL 36027

Horace Williams
Post Office Box 896
Eufaula, AL 36027

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CLAUDE R. MARTIN JR.
CURRICULUM VITA – 8/27/00

Isadore and Leon Winkelman Professor of Retail Marketing
University of Michigan

Residence: [DELETED]

Office: School of Business Administration
University of Michigan
Ann Arbor, Michigan 48109-1234
Voice: (734) 764-1391
e-mail :
[DELETED]

Personal Information:
Born 1932
United States citizen
Married (Marie)
Six children & seven grandchildren

Current Position: Isadore & Leon Winkelman Professor of Marketing
University of Michigan

Previous Positions:

1952-1955	Radio & Television Newsman - Northeastern Pennsylvania
1955-1957	Night Operations Supervisor - Armed Forces Radio & TV Service, Los Angeles
1957-1961	News Director - WNEP-TV
1961-1963	Director of Systems - Blue Cross/Blue Shield, Pennsylvania
1963-1965	Research Assistant - Columbia University, New York
1964-1965	Lecturer in Marketing - St. Francis College, New York
1965-1969	Lecturer in Marketing - University of Michigan
1969-1972	Assistant Professor of Marketing - University of Michigan
1973-1977	Associate Professor of Marketing - University of Michigan
1978-1980	Professor of Marketing - University of Michigan
1976-1984	Board of Directors, Comerica Bank -Ann Arbor.
1983-1989	Board of Directors, Perry Drug Stores Inc. (NYSE)
1986-1989	Chairman, Marketing Faculty - University of Michigan
1991	Visiting Professor, Institut d'Administration des Entreprises, Universite de Droit, dEconomie et des Sciences d'Aix-Marseille, @ Aix-en -Provence, France
1980-Present	Isadore & Leon Winkelman Professor of Marketing - University of Michigan

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National Biographical Listings:

Who's Who in the World
Who's Who in America
Who's Who in the Midwest
Who's Who in Germany
Dictionary of International Biography
Men of Achievement

Scholarly Honors and Awards:

Alpha Sigma Nu (International Honors Fraternity)
AJCU Business Deans' Award
(200th Anniversary of Jesuit Education in U.S., 1989)
O'Hara Award for Distinguished Service in Education
(University of Scranton, 1994)
Team Kania Award (Kania School of Management, 1999)

Academic Background:

Bachelor of Science in Business Administration (1954)
Master of Business Administration (1963)
University of Scranton
Ph.D. in Business Administration (1969)
Columbia University

Community Service:

Board of Trustees
University of Scranton (1996-present)
Services Steering Committee
Marketing Science Institute, (1990-present)
Board Member
National Advertising Review Board (1989-1993)
University Council (1989 - 1996)
University of Scranton
Board of Directors (1970-1971)
American Cancer Society (Michigan)
Board of Trustees (1979-1987) and Treasurer (1980-1987)
Catholic Social Services
Committee on Real Estate (1983-1989)
Diocese of Lansing

Organizations:

American Marketing Association
Association for Consumer Research
American Collegiate Retailing Association
Academy of Marketing Science
Adcraft Club of Detroit

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Southwest Marketing Association
European Academy of Marketing
American Academy of Advertising
Member, Research Committee, 1982-88
Chairman, Research Committee, 1987-88

Editorial Review Boards:

Journal of Advertising
European Journal of Innovation Management

Ad hoc reviewer:

Journal of Marketing
Journal of Marketing Research
International Journal of Service Industry Management
Journal of Business and Industrial Marketing
Journal of Retailing and Consumer Services
Journal of Business Research

Reviewer for Academic Conferences (1970-2000):
American Marketing Association
Academy of Marketing Science
American Psychological Association
American Academy of Advertising
European Academy of Marketing
American Collegiate Retailing Association

Member of the scientific committee for the 1995, 1997, 1999, & 2001 International Research Seminars on Marketing Communications and Consumer Behavior (France).

Research Experience:

Dr. Martin has authored more than 70 articles appearing in national and international journals. The author of five books and monographs, he also has served since 1978 as co-editor of the **Journal of Current Issues and Research in Advertising.**

1968-1973 Director of Research Group B. This was a group of department stores in eight midwestern and southwestern states who supported through the University of Michigan a program of basic research into consumer behavior.

1974-1975 Directed preparation of an economic, cultural and educational impact study for the State of West Virginia on the development of Blenerhasset Island. The study formed the foundation for a projected

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multi-million dollar development of the island as an historic tourist attraction.

1979-1980 Served as a member of a research group that examined household and business mailstreams in a major national study commissioned by the U.S. Postal Service. This study was coordinated through the Institute for Social Research, University of Michigan.

1968-1979 Directed a program of graduate student development of marketing plans for major organizations. Among the organizations participating in this program were: Ford Motor Company, Wolverine WorldWide Inc., Detroit Coca-Cola Bottling Company, Federal Reserve System, Michigan Bell Telephone Company, American Cancer Society, Warner Vineyards Inc., A.T. & T., and U.S. Plywood/Champion Paper Inc.

1978-1979 Principal researcher for the Federal Reserve System on the potential for the Susan B. Anthony dollar prior to its 1979 introduction. This was a comprehensive study among consumers, retailers, and financial service institution providers. The study correctly predicted the failure of this new coin.

1978-1979 Co-principal on a project formulating a model for service demand at the Survey Research Center, University of Michigan. This national study was funded by a grant from American Express.

1983 Directed a study into demand for the U.S. Olympic Coin offering. This project addressed the basic positioning of the coin and the advertising strategy for it. The project was funded by the office of the Treasurer of the United States.

1980-1986 Principal investigator and director of research for a project commissioned by the Federal Reserve Board of Governors to examine public attitudes and usage of U.S. currency. This project was coordinated with the Bureau of Printing and Engraving and U.S. Secret Service. The objective was to assess the public reaction to alternative forms of U.S. paper

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currency, proposed as a deterrent to a counterfeiting threat based on copy machine technology.

1994-1998 Study into the public policy implications and ethical issues associated with advertising research. Includes analysis of Center for Disease Control study on adolescent behavior. (Funding from RJR, Inc.)

1990-1998 Examining the viability of mall intercepts as a method for the assessment of new product concepts and for advertising testing. (Funding from Kraft Inc.)

Current Since 1972 directing a study into telecommunications technology and the effect on the buying and selling of goods and services, including financial services. This research originated as a result of participation in a task force on new services taxonomy and assessment funded by the National Science Foundation as a part of an inter-disciplinary study of telecommunications and public policy.

Current Study into the process for the development of new service offerings among multi-national firms. This project includes an examination of the structure of firms as they move toward a service orientation.

Current Member of Tobacco Research Network at the University of Michigan – scholars examining tobacco related issues.

Consulting Experience - Lltigation:

Outboard Marine Corporation
Weber Marking Systems Inc.
Booth Publications Inc.
Metropolitan Life Insurance Company
American Educational Subscription Services Inc.
City of Adrian, Michigan
Avon Products Inc.
Automobile Club of Michigan
Toyota Motor Sales, U.S.A. Inc. (7 cases)
Continental-Illinois Bank Corporation

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Consulting Experience - Litigation (cont'd):

Ohio Mattress Company (Sealy and Stearns & Foster Inc.)
Dunlop Tire and Rubber Company
PepsiCo Inc.
Nissan Motor Company (USA) (2 cases)
General Aviation Corporation
Hallmark Cards Inc. (2 cases)
Subaru of America
Burger King Corporation
Teledyne, Inc.
Toymax, Inc. (2 cases)
Coburn Optical Industries Inc.
U.S. West Inc.
AMOCO Oil Corporation
Abbott Laboratories
Absopure, Inc.
American Dental Laser Corporation
Schering Plough Corporation
Farm Fresh, Inc.
Amers, Inc.
Grauel Enterprises, Inc.
The Colonel's, Inc.
Anheuser-Busch, Inc.
King County (State of Washington)
Nutro Products, Inc.
American Honda, Inc.
Stroh Brewing Company, Inc.
Franklin Credit Management Corporation
Office Max, Inc.
Volkswagen & Volkswagen of America
OPI Products, Inc.
Pinkerton's Inc.
Insurance Commissioner – State of Michigan
U.S. District Court – Southern District of California
Cleveland Automobile Dealer's Association

◆◆◆

Consultant to law firms representing Philip Morris, Lorillard and Liggett from 1986-1988 concerning advertising and consumer behavior for tobacco litigation (Cippolone v. Philip Morris, et al.). Legal firms involved were:

Arnold & Porter (Washington)
Shook, Hardy & Bacon (Kansas City)
Chadbourne & Park (New York)
Webster & Sheffield (New York)

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Consulting Experience - Litigation (cont'd):

Consultant to Jones, Day, Reavis & Pogue (Cleveland/Washington/ Atlanta/Pittsburgh/ LosAngeles/Dallas); Womble, Carlyle, Sandridge, and Rice (Winston Salem); and to Collier, Shannon, Rill & Scott (Washington, D.C.) concerning advertising and consumer behavior for tobacco litigation from 1996 to present. This involved cases in the state courts of Alabama, Oklahoma, Mississippi, Florida, Texas, California, Massachusetts, Vermont, Maryland, District of Columbia and Washington. It also involved litigation before the Federal Trade Commission and current litigation by the U.S. Department of Justice.

◆◆◆

Additional expert witness testimony in administrative law hearings for 35 financial institutions, including banks and saving & loan associations, involving establishment of new offices or de novo institutions.

Executive Education Seminars:

Acer, Inc. (Taiwan)
Management Institute
Michigan Bell Telephone Company
Time Inc. (FORTUNE)
Beecham Laboratories
Charles H. Strand Inc.
Hershey Foods Corporation
Burroughs Corporation (UNISYS)
Red Lobster Inns of America (General Mills)
STP Corporation
Unisys Corporation
Rexham Corporation
Lincoln National Life Insurance Company
Diversey Wyandotte Corporation
Southland Corporation
Southern New England Telephone Company
Bethlehem Steel Corporation
MAACO
Bell Communications Research (BELLCORE)
Catho Progresso Profissional, Comercial LTDA (Brasil, Argentina, Chile)
Automotive Warehouse Distributors Association
Allen-Bradley Inc.
Chemical Bank of New York
General Motors Corporation
Consumers Power Company
Southwestern Bell Telephone Company
EDS
BellSouth, Inc.
National Bank of Kuwait (Kuwait)

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Executive Education Seminars (cont'd):

University of Michigan Medical Center
University of Michigan Libraries
Sprint Corporation
Sanford Corporation

Also have served as core faculty member for the Executive Education Division of the Graduate School of Business Administration, University of Michigan in the following programs:

Managing Services For Competitive Advantage (Dubai)*
Whirlpool Polska Trade Partner Workshop (Poland)*
Banking and Financial Services Executive Program
Marketing for Non-Marketing Managers*
New Product Development
Daewoo Executive Education Program
New Products & Services for High Technology Firms
Excellence in Service Management*
International Marketing for Non-Marketing Managers (Hong Kong and Beijing)*
Sports Management Institute
(*faculty director)

Other Consultation (includes strategic planning):

Old Kent Financial Corporation
Michigan National Corporation
United Michigan Corporation
National Bank of Detroit
Dow-Corning Inc.
Dayton-Hudson Inc.
Bil-Mar Foods Inc.
General Motors Corporation
Rexham Corporation
Realtron, Inc.
National Decorating Products Association
Burroughs Corporation (UNISYS)
Michigan Bell Telephone Company (AMERITECH)
University of Michigan - Office of Continuing Medical Education
Witmark Catalog Showrooms

For the past 20 years have served as a primary judge for the National Automobile Dealers' Association's Outstanding Auto/Truck Dealer Award, sponsored by Time, Inc. and Goodyear. This has included the review and evaluation of the intimate financial, operating and performance data for more than 1,000 auto

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dealers in the United States in conjunction with this award.

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Selected Publications

Articles

"Support for Women's Lib: Management Performance," **Southern Journal of Business,** (University of Georgia), Vol. 7 No. 1, February, 1972.

"What Consumers of Fashion Want to Know," **Journal of Retailing,** Vol.47 No.4, Winter 1977.

"The Contribution of the Professional Buyer to the Success or Failure of a Store," **Journal of Retailing,** Vol. 49 No. 2, Summer 1973.

"Survey Implemented Market Segmentation, a Modification of AID," **Proceedings of the American Institute for Decision Sciences,** April 1973.

"Double Jeopardy," **Journal of the Academy of Marketing Science,** Fall 1973. Also in: **Marketing Update,** Harold Berkman, et.al., eds. Greenvale, N.Y.: Academy of Marketing Science, 1977.

"Profit Oriented Data Analysis for Market Segmentation: An Alternative to Aid," **Journal of Marketing Research,** August 1974.

"Teleshopping and EFTS," in **Project Cable Faculty Seminars,** Anil Telang and Kan Chen, eds. Publication C-20, University of Michigan Program in Telecommunications Research, June 1975.

"Teleshopping and Electronic Funds Transfer," in **Policy Research in Cable Communications, Report to the National Science Foundation,** Kan Chen, ed., June 1975.

"The Future for an Electronic Business Society," **Business Horizons,** Vol. 18, October 1975.

""The Consumer and Electronic Funds Transfer Systems," in **Eliminating Constraints on Banking,** Philip C. Mayer, ed., Golembe and Associates, December 1975.

"The Elderly Consumer: One Segment or Many," **Advances in Consumer Research, Volume III,** Association for Consumer Research, 1975. Also in: **The Elderly Consumer,** Fred Waddell, ed., The Human Ecology Center, 1976; **Lifestyles in Consumer Behavior of Older Americans,** Howard G. Schultz and Glen R. Hawkes, eds., Prager Publishing Company, 1978.

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"Transgenerational Comparison: The Elderly Fashion Consumer," **Advances in Consumer Behavior, Volume III,** Association for Consumer Research, 1975. Also in: **The Elderly Consumer,** Fred Waddell, ed., The Human Ecology Center, 1976.

"EFTS: The Need for Marketing Planning and Analysis," in **Marketing EFTS to Consumers,** Payment Systems Research Program, 1976.

"Teleshopping: An Assessment," in **The Retail Revolution of 1976,** National Retail Merchants Association, January 1976.

"SIMS II: Profit Oriented Market Segmentation for Decision Time Implementation," **Journal of the Marketing Research Society,** July 1976.

"Profit Oriented and Decision Time Segmentation," **Journal of the Academy of Marketing Science,** Spring 1977.

"Consumer Demand for Electronic Banking," **Proceedings of the 1977 Southwestern Marketing Association,** March 1977.

"The Situation Confronting Introduction of the Anthony Dollar," in **Government Marketing,** Steven Permut and Michael Mowka, eds., Prager Press Inc., 1981.

"The New Susan B. Anthony Dollar: Hypotheses Regarding Consumer and Retailer Reactions," **Developments in Marketing Science, Volume III,** Academy of Marketing Science, 1980.

"Temporal Incongruency in Consumer Behavior," **Advances in Consumer Research, Volume VIII,** Association for Consumer Research, October 1980.

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IN THE CIRCUIT COURT FOR
BARBOUR COUNTY, ALABAMA
CLAYTON DIVISION

RICHARD L. SEABORN, Plaintiff, vs. R.J. REYNOLDS TOBACCO COMPANY, et al., Defendants.	)	Civil Action No. CV-96-0215

DEFENDANT R.J. REYNOLDS TOBACCO COMPANY'S EXPERT WITNESS DISCLOSURE OF CLAUDE MARTIN, PH.D.

June 30, 2000

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DR. CLAUDE MARTIN

Dr. Martin is a tenured professor at the University of Michigan Graduate School of Business Administration. He holds an endowed chair as the Isador and Leon Winkelman Professor of Retail Marketing. A copy of Dr. Martin's curriculum vitae is attached to this disclosure. Dr. Martin may offer the following opinions in this case:

1. Consumer decision-making is influenced by a significant number of factors, as illustrated by various models of consumer decision-making and models of the manner in which individuals process messages. Consumer decision-making is thus highly individualistic. With respect to buying behavior, consumers ultimately select and use those products that fit their needs as shaped by the numerous influences on the consumer decision-making process.

2. Among the numerous influences on consumer behavior are a limited number of marketer-controlled influences (e.g., price, availability, marketing). The effect of marketer-controlled activities on consumer decision-making is quite limited (e.g., possibly create brand awareness, possibly communicate product attributes, etc.). The limited effect of advertising, marketing and promotion on consumer behavior is attributable to the

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consumer decision-making process, the way individuals process communications and the numerous limitations on the marketing communicator. In this regard, for example, advertising, marketing and promotion are a small part of the total interactive communication process that may influence a given consumer's decision to use/purchase a product. Despite these limitations, the impact of marketer-controlled influences on consumer decision-making is commonly misunderstood and overestimated.

3. The subject of the "causes" of underage smoking initiation have been studied by the government and academics for several decades. Numerous factors have been correlated with underage smoking behavior (e.g., peer and familial influence, role model influence, individual personality traits, access to tobacco products, etc.). This research and data have consistently identified the significant predictors of underage smoking behavior as peer and familial influence, role model influence, personality traits, access, etc. The more recent TAPS data presents similarly consistent results, e.g., demonstrates that the smoking of teachers is significant. Finally, recent data concerning cigar use among minors further evidences the social nature of smoking behavior among minors.

4. As noted above, the subject of the "causes" of underage smoking initiation have been studied by the government and

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marketing experts for several decades. Advertising, marketing and promotional activities have not been reported to cause underage smoking initiation in this research.

5. The advertising, marketing and promotion of cigarettes is not and has not been unique from that for other consumer goods. For example, cigarette advertising for the period from the 1930's to the present is similar to, or more conservative than, that for other consumer products in terms of themes, presentation and imagery. Similarly, the use of coupons and premium items in connection with the promotion of consumer products are not unique to cigarette manufacturers.

6. Marketing for products in the mature stage of the product life cycle cannot "expand the market." Marketing for products in the mature stage of the product life cycle, at best, affect brand choice by consumers (i.e., is designed to maintain customer loyalty or solicit brand-switching). Cigarettes are now, and have long been, in the mature stage of the product life cycle. Cigarette advertising is brand directed and is designed to maintain customer loyalty or solicit brand-switching.

7. The marketing of tobacco products has not affected either the awareness of or belief among consumers in the health risks long associated with smoking. The lack of impact of marketing may be understood in terms of the manner in which

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consumers process information from various sources and can be verified based on governmental reports, academic literature and polling data.

8. Dr. Martin will be asked to comment upon the factual record in this matter to the extent that it relates to the opinions described above. For example, Dr. Martin may be expected to discuss evidence in the factual record concerning the sources of information regarding smoking and health Mr. Seaborn was exposed to (smoking by Mr. Seaborn's father, parental warnings about the health risks of smoking, his reasons for hiding his smoking while he was in school, statements from Mrs. Seaborn to her husband concerning the health effects of smoking, statements from Mr. Seaborn's children to their father concerning the health effects of smoking, warnings from physicians about the health effects of smoking, the warnings on the packages of cigarettes themselves, which Mr. Seaborn acknowledged did not surprise him when he first saw them). Dr. Martin may also discuss the evidence in the factual record relating to the impact, or lack thereof, of cigarette marketing and/or public statements, on Mr. Seaborn's smoking behavior, i.e., his decisions to start, continue and stop smoking (e.g., testimony concerning parental smoking, sibling smoking, peer smoking, Mr.

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Seaborn's attribution of starting smoking to curiousity, "fit[ting] in" and peer influence, Mr. Seaborn's lack of attribution of his smoking behavior to cigarette advertising or public statements by cigarette companies or other entities, examples of other risk taking in the lifestyle and behavioral choices made by Mr. Seaborn (such as those relating to alcohol use, occupational exposures to hazardous chemicals, his diet), sources of information from his own physical condition such as coughing and shortness of breath, information concerning Mr. Seaborn's home environment, both as a child as well as a parent, information based on family members suffering from illnesses associated with smoking such as his father, the testimony from Mr. Seaborn that he did not believe the one instance of a statement from the tobacco companies he could recall).

Finally, Dr. Martin may be asked to comment upon the opinions expressed by other witnesses, as well as the evidence they rely upon, to the extent that such evidence and opinions relate to his areas of expertise.

Dr. Martin's opinions are based on: (1) his education, skill and experience in the fields of marketing, advertising and promotion; (2) his review of literature concerning advertising, marketing, promotion and consumer behavior; and (3) his review of information, testimony and documents concerning this case.

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CHAPTER

6

ANALYZING CONSUMER MARKETS AND BUYER BEHAVIOR

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There is an old saying in Spain: To be a bullfighter, you must first learn to be a bull.

ANONYMOUS

❖

You never really understand a person until you consider things from his point of view— until you climb into his skin and walk around in it.

ATTICUS FINCH IN HARPER LEE'S *TO KILL A MOCKINGBIRD*

❖

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The aim of marketing is to meet and satisfy target customers' needs and wants. The field of *consumer behavior* studies how individuals, groups, and organizations select, buy, use, and dispose of goods, services, ideas, or experiences to satisfy their needs and desires.

Understanding consumer behavior and "knowing customers" are never simple. Customers may state their needs and wants but act otherwise. They may not be in touch with their deeper motivations. They may respond to influences that change their mind at the last minute. Nevertheless, marketers must study their target customers' wants, perceptions, preferences, and shopping and buying behavior.

SEGA. Sega of America, the scrappy little company that overtook Nintendo in the U.S. video game market, spends a tremendous amount of time trying to understand the needs and wants of its major market: teens. Says Sega's senior vice president of marketing, "Kids' No. 1 desire is to be up on new stuff all the time and know things that their parents don't know." The company has gathered this information by conducting focus groups two or three times a week, and researchers at Sega's ad agency find out how kids buy by hanging around some 150 kids' bedrooms and shopping with them in malls. They've discovered that the typical teen is surprisingly price-conscious and shops for video games with the same attentiveness that an adult shops for a new car. Teens read consumer guidebooks, talk to friends, and even rent games before buying. Above all, they want everything to be fast. And Sega complies by introducing new video games at a relentless pace (about 65 new games a year), and wooing kids with hip and frenetic TV ads that clock in at 15 seconds.[1]

Studying consumers, as Sega does, provides clues for developing new products, product features, prices, channels, messages, and other marketing-mix elements. This chapter explores consumers' buying dynamics; the next chapter explores the buying dynamics of business buyers.

A Model of Consumer Behavior

At one time, marketers could understand consumers through the daily experience of selling to them. But the growth of companies and markets has removed many marketing managers from direct contact with customers. Increasingly, managers have had to rely on the "O's framework for consumer research to answer the following key questions about any market:

Who constitutes the market?	Occupants
What does the market buy?	Objects
Why does the market buy?	Objectives
Who participates in the buying?	Organizations
How does the market buy?	Operations
When does the market buy?	Occasions
Where does the market buy?	Outlets

The starting point for understanding buyer behavior is the stimulus-response model shown in Figure 6-1 on the next page. Marketing and environmental stimuli enter the buyer's consciousness. The buyer's characteristics and decision process lead to certain purchase decisions. The marketer's task is to understand what hap-

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pens in the buyer's consciousness between the arrival of outside stimuli and the buyer's purchase decisions. They must answer two questions:

- **How do the buyer's characteristics—cultural, social, personal, and psychological—influence buying behavior?**
- **How does the buyer make purchasing decisions?**

MAJOR FACTORS INFLUENCING BUYING BEHAVIOR

Figure 6-2 summarizes the factors influencing a consumer's buying behavior. We will illustrate these influences for a hypothetical consumer named Linda Brown, who is 35, married, and a regional sales manager in a leading chemical company. She travels a lot and wants to acquire a laptop computer. She faces a great number of brand choices: IBM, Apple, Dell, Compaq, and so on. Her choice will be influenced by many cultural, social, personal, and psychological factors.

Cultural Factors

Cultural factors exert the broadest and deepest influence on consumer behavior. The roles played by the buyer's culture, subculture, and social class are particularly important.

CULTURE. *Culture* is the most fundamental determinant of a person's wants and behavior. The growing child acquires a set of values, perceptions, preferences, and behaviors through his or her family and other key institutions. A child growing up in the United States is exposed to the following values: achievement and success, activity, efficiency and practicality, progress, material comfort, individualism, freedom, external comfort, humanitarianism, and youthfulness.[2]

Linda Brown's interest in computers reflects her upbringing in a technological society. Linda knows what computers are and she knows that the society values computer expertise. In another culture, say a remote tribe in central Africa, a computer would mean nothing. It would simply be a curious piece of hardware, and there would be no buyers.

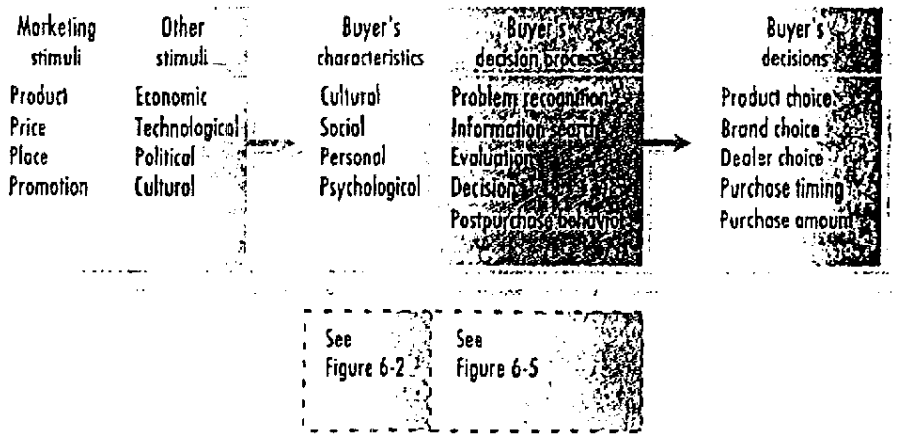

FIGURE 6-1
Model of Buyer Behavior

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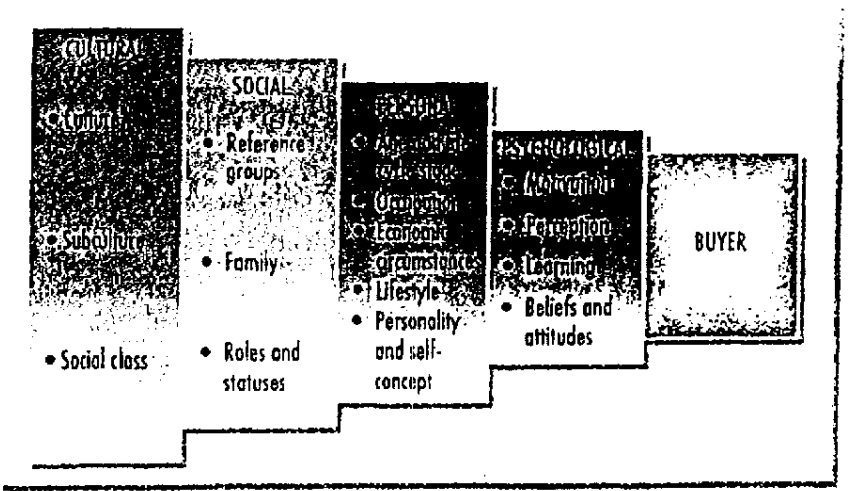

FIGURE 6-2
Factors Influencing Behavior

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SUBCULTURE. As we saw in the previous chapter, each culture consists of smaller subcultures that provide more specific identification and socialization for its members. Subcultures include nationalities, religions, racial groups, and geographical regions. Many subcultures make up important market segments, and marketers often design products and marketing programs tailored to their needs. (For more on this topic, see the Marketing Insight titled "Marketing to Latinos, African-Americans, and Seniors.") Linda Brown's buying behavior will be influenced by her subculture identifications. They will influence her food preferences, clothing choices, recreation, and career aspirations. She may come from a subculture that places a high value on being an "educated person," and this helps explain her interest in computers.

SOCIAL CLASS. Virtually all human societies exhibit social stratification. Stratification sometimes takes the form of a caste system where the members of different castes are reared for certain roles and cannot change their caste membership. More frequently, stratification takes the form of social classes.

❖ SOCIAL CLASSES are relatively homogeneous and enduring divisions in a society, which are hierarchically ordered and whose members share similar values, interests, and behavior.

Social classes do not reflect income alone but also other indicators such as occupation, education, and area of residence. Social classes differ in their dress, speech patterns, recreational preferences, and many other characteristics. Table 6-1 describes the seven social classes identified by social scientists.

Social classes have several characteristics. First, persons within each social class tend to behave more alike than persons from two different social classes. Second, persons are perceived as occupying inferior or superior positions according to their social class. Third, a person's social class is indicated by a cluster of variables—for example, occupation, income, wealth, education, and value orientation—rather than by any single variable. Fourth, individuals can move from one social class to another—up or down—during their lifetime. The extent of this mobility varies according to the rigidity of social stratification in a given society.

Social classes show distinct product and brand preferences in many areas, including clothing, home furnishings, leisure activities, and automobiles. Some marketers focus their efforts on one social class. Thus the Four Seasons restaurant in upper Manhattan focuses on upper-class customers, while Joe's Diner in lower

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Marketing to Latinos, African-Americans, and Seniors

When subcultures grow large and affluent enough, companies often design special marketing programs to serve them. Here are examples of three important subculture groups.

Latinos

For years, marketers have viewed the Latino market—Americans of Mexican, Cuban, Puerto Rican, and Central and South American descent—as small and having low purchasing power, but these perceptions are badly out of date. Expected to account for 11% of the U.S. population by the year 2020, Latinos (sometimes called Hispanic-Americans) are the second largest and fastest-growing U.S. minority. Annual Latino purchasing power exceeds $134 billion. Over half of all Latinos live in one of six metropolitan areas—Los Angeles, New York, Miami, San Antonio, San Francisco, and Chicago. Latinos have long been a target for marketers of food, beverages, and household care products. But as the segment's buying power increases, Latinos are emerging as an attractive market for pricier products such as computers, financial services, photography equipment, large appliances, life insurance, and automobiles. Many companies are devoting larger ad budgets and preparing special appeals and media to woo Latinos. Smart companies are also recognizing the differences that exist among Latino communities with respect to country of origin, culture, social class, and stage in the family life cycle.

As a result of the Latino market's growing clout, many companies (including Colgate-Palmolive, Nestlé, PepsiCo, and Procter & Gamble) are increasing the number of products they're shipping from Latin America. This trend has accelerated since the passage of the North American Free Trade Agreement (NAFTA). For instance, Nestlé began rolling out Nido, a powdered milk it sells in Mexico; Wal-Mart stores started carrying Maizoro, one of the big Mexican cereal brands; and Colgate-Palmolive began marketing its Mexican household cleaner, Fabuloso, in Los Angeles and Miami. The biggest revenue producer of Latin American products is Goya Foods, the Secaucus, New Jersey, ethnic-foods distributor. By tapping Latinos' desires for "comfort foods" like nopalitos (sliced cactus) and tostones (fried green plantains), Goya's sales have risen from $300 million to $480 million since 1990.

African-Americans

If the U.S. population of over 31 million black Americans—with a total purchasing power of more than $218 billion annually—were a separate nation, their buying power would rank twelfth in the world. The African-American population is growing in affluence. African-Americans spend relatively more than whites on clothing, personal care, home furnishings, and fragrances; and relatively less on food, transportation, and recreation. They tend to be strongly motivated by quality and selection and shop more at neighborhood stores.

To tap the African-American market, KFC (formerly Kentucky Fried Chicken) is giving some of its restaurants an African-American flavor, outfitting employees in traditional African-oriented uniforms, providing rhythm and blues music, and offering menu additions that reflect local tastes, such as "soul sides" of red beans, rice, or greens. Large companies including Quaker Oats, McDonald's, Procter & Gamble, Coca-Cola, and Clorox are forging promotional ties with the black community and its institutions. Quaker Oats shows its respect and concern for black families by running sweepstakes in which winners can enjoy an

Manhattan focuses on lower-class customers. The social classes differ in their media preferences, with upper-class consumers preferring magazines and books and lower-class consumers preferring television. Even within a media category such as TV, upper-class consumers prefer news and drama, and lower-class consumers prefer soap operas and quiz shows. There are also language differences among the social classes. The advertiser has to compose copy and dialogue that ring true to the targeted social class.

Linda Brown comes from a middle-class background. Her family places high value on education and becoming a professional. As a result, Linda has acquired good verbal and mathematical skills and is not intimidated by computers, as someone from a less-educated background might be.

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all-expense-paid "family reunion" at Chicago's Gospelfest, the city's largest free outdoor gospel music event, which Quaker sponsors. Clorox ran the Pine Sol Clean Start campaign, in which Pine Sol consumers in minority communities were entered into a scholarship sweepstakes.

Spike Lee, the African-American filmmaker who is a master at tapping black purchasing power, advises marketers to "use the black press, spend a lot of your promotional dollars with black institutions. And don't just do it on a . . . product-by-product basis. You have to be in it for the long run." Another caveat for those who are marketing to the black or other minority communities: Hire the consumers you are trying to target. When department store giant J. C. Penney began marketing merchandise to African-American and Latino consumers, it was blasted by minority leaders who said the company should concentrate on increasing the number of minority employees.

Mature Consumers

As the U.S. population ages, mature consumers—those 65 and older—are becoming a very attractive market. The seniors market will grow to over 40 million consumers by the year 2000. Seniors are better off financially, spending about $200 billion each year, and they average twice the disposable income of consumers in the under-35 group. Mature consumers have long been the target of the makers of laxatives, tonics, and denture products. But smart marketers know that many seniors are healthy and active, and they have many of the same needs and wants as younger consumers. Their buying decisions are based not on age but on lifestyle—a distinction that is sometimes missed. Today's seniors want to stay fit and healthy so they can maintain their lifestyle. This interest in health and fitness has fueled the popularity of events such as the Senior Sports Classic, which gives seniors an opportunity to compete and corporate sponsors like AT&T, Johnson & Johnson, and the Medicine Shoppe (a pharmacy chain) a chance to get their message across. Surprisingly, seniors spend more on personal-care products than any other age group, and consume more fast-food meals than teen-agers. Too few marketers really understand this and fail to take aim at this huge market.

Despite some belief to the contrary, seniors certainly don't spend all their time shopping. Because today's seniors consume 80% of luxury travel, many airlines and hotel chains offer discounts to this market. For instance, Choice Hotels International introduced "Prime Rate," which gives a 30% room discount to people over the age of 50, subject to availability. Some travel companies do "cross-generational" marketing to appeal to grandparents and their grandchildren. And GrandTravel of Chevy Chase, Maryland, sponsors barge trips through Holland, safaris to Kenya, and other exotic vacations for grandparents and their grandchildren.

Sources: For more on marketing to Latinos, African-Americans, mature consumers, as well as Asian-Americans, see Jon Berry, "Special Report: Hispanic Marketing," *Adweek*, July 9, 1990, pp. 28–34; Gary L. Berman, "The Hispanic Market: Getting Down to Cases," *Sales and Marketing Management*, October 1991, pp. 65–74; Laura Zinn, "Run to the Supermart and Pick Me Up Some Cactus," *Business Week*, June 20, 1994, pp. 70–71; *Judith Waldrop, "Shades of Black," American Demographics*, September 1990, pp. 30–34; Melissa Campanelli, "The African-American Market: Community, Growth, and Change," *Sales and Marketing Management*, May 1991, pp. 75–81; Geoffrey Brewer, "Spike Speaks," *Incentive*, 167, no. 2 (February 1993), 26–34; "Minority Leaders Blast J. C. Penney Plan to Target Blacks, Hispanics," *Marketing News*, 27, no. 21 (October 11, 1993), 1, 15; Milinda Beck, "The Geezer Boom," in "The 21st Century American Family," a special issue of *Newsweek*, Winter–Spring 1990, pp. 62–67; Melissa Campanelli, "The Senior Market: Rewriting the Demographics and Definitions," *Sales and Marketing Management*, February 1991, pp. 63–70; Regina Eisman, "Young at Heart," *Incentive*, 167, no. 4 (April 1993), 33–38; and Maria Shao, "Suddenly, Asian-Americans Are a Marketer's Dream," *Business Week*, June 17, 1991, pp. 54–55.

Social Factors

In addition to cultural factors, a consumer's behavior is influenced by such social factors as reference groups, family, and roles and statuses.

REFERENCE GROUPS.

Many groups influence a person's behavior.

- A person's REFERENCE GROUPS consist of all the groups that have a direct (face-to-face) or indirect influence on the person's attitudes or behavior. Groups having a direct influence on a person are called MEMBERSHIP GROUPS.

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TABLE 6-1 CHARACTERISTICS OF SEVEN MAJOR U. S. SOCIAL CLASSES

1. Upper Uppers (less than 1%)	The social elite who live on inherited wealth and have well-known families. They give large sums to charity, run the debutante balls, maintain more than one home, and send their children to the finest schools. They are a market for jewelry, antiques, homes, and vacations. They often buy and dress conservatively, not being interested in ostentation. While small as a group, they serve as a reference group for others to the extent that their consumption decisions trickle down and are imitated by the other social classes.
2. Lower Uppers (about 2%)	Persons who have earned high income or wealth through exceptional ability in the professions or business. They usually come from the middle class. They tend to be active in social and civic affairs and seek to buy the symbols of status for themselves and their children, such as expensive homes, schools, yachts, swimming pools, and automobiles. They include the nouveau riche, whose pattern of conspicuous consumption is designed to impress those below them. The ambition of lower uppers is to be accepted in the upper-upper stratum, a status that is more likely to be achieved by their children than themselves.
3. Upper Middles (12%)	Possess neither family status nor unusual wealth. They are primarily concerned with "career." They have attained positions as professionals, independent businesspersons, and corporate managers. They believe in education and want their children to develop professional or administrative skills so that they will not drop into a lower stratum. Members of this class like to deal in ideas and "high culture." They are highly civic minded. They are the quality market for good homes, clothes, furniture, and appliances. They are home-oriented and enjoy entertaining friends and clients.
4. Middle Class (32%)	Average-pay white- and blue-collar workers who live on "the better side of town" and try to "do the proper things." Often, they buy products that are popular to keep up with the trends. Twenty-five percent own imported cars, and most are concerned with fashion, seeking "one of the better brand names." Better living means a nicer home in "a nice neighborhood on the better side of town" with "good schools." The middle class believes in spending more money on "worthwhile experiences" for their children and aiming them toward a college education.
5. Working Class (38%)	Average-pay blue-collar workers and those who lead a working-class lifestyle, whatever their income, school background, or job. The working class depends heavily on relatives for economic and emotional support, for tips on job opportunities, for advice on purchases, and for assistance in times of trouble. A working-class vacation means staying in town, and "going away" means to a lake or resort no more than two hours away. The working class tends to maintain sharp sex-role division and stereotyping. Car preferences include standard size and larger cars, rejecting domestic and foreign compacts.
6. Upper Lowers (9%)	Upper lowers are working, not on welfare, although their living standard is just above poverty. They perform unskilled work and are very poorly paid, although they are striving toward a higher class. Often, upper lowers are educationally deficient.
7. Lower Lowers (7%)	Lower lowers are on welfare, visibly poverty stricken, and usually out of work. Some are not interested in finding a permanent job and most are dependent on public aid or charity for income. Their homes, clothes, and possessions are often viewed as "dirty," "raggedy," and "broken-down."

Sources: Richard P. Coleman, "The Continuing Significance of Social Class to Marketing," *Journal of Consumer Research*, December 1983, pp. 265–80; and Richard P. Coleman and Lee P. Rainwater, *Social Standing in America: New Dimension of Class* (New York: Basic Books, 1978).

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Some membership groups are *primary groups*, such as family, friends, neighbors, and co-workers, with whom the person interacts fairly continuously and informally. People also belong to *secondary groups*, such as religious, professional, and trade-union groups, which tend to be more formal and require less continuous interaction.

People are significantly influenced by their reference groups in at least three ways. Reference groups expose an individual to new behaviors and lifestyles. They also influence the person's attitudes and self-concept. And they create pressures for conformity that may affect the person's actual product and brand choices.

People are also influenced by groups in which they are not members. Groups to which a person would like to belong are called *aspirational groups*. For example, a teen-ager may hope one day to play basketball for the Chicago Bulls. A *dissociative group* is one whose values or behavior an individual rejects. The same teenager may want to avoid any relationship with the Hare Krishna group.

Marketers try to identify their target customers' reference groups. However, the level of reference-group influence varies among products and brands. Reference groups appear to strongly influence both product and brand choice only in the case of automobiles and color televisions; mainly brand choice in such items as furniture and clothing; and mainly product choice in such items as beer and cigarettes.

Manufacturers of products and brands where group influence is strong must determine how to reach and influence the opinion leaders in these reference groups. An *opinion leader* is the person in informal product-related communications who offers advice or information about a specific product or product category, such as which of several brands is best or how a particular product may be used.[3] Opinion leaders are found in all strata of society, and a person can be an opinion leader in certain product areas and an opinion follower in other areas. Marketers try to reach opinion leaders by identifying demographic and psychographic characteristics associated with opinion leadership, identifying the media read by opinion leaders, and directing messages at the opinion leaders. This is exactly what San Francisco–based The Gap Inc. is trying to do since it has begun to lose its edge with opinion leaders in its most important market: shoppers under the age of 30:

THE GAP In 1992, about 90% of teens said Gap clothes were "cool," in Leo Burnett Co.'s annual "What's hot among kids" survey. That number fell to 83% the next summer and plummeted to 63% in two 1995 polls. In fact, Gap attire and advertising have become the butt of jokes and the target of resentment by teens and Generation Xers. "Their clothes promote a straight, white, lame lifestyle, which is just how THEY want us to be," writes Hugh Galagher in a satire in Los Angeles's *Grand Royal* magazine. While the company is hardly in trouble, Gap is trying to get a more interesting and targeted assortment of merchandise in appealing colors, and the monitors of "cool" at corporate headquarters are busily working up campaigns directed at opinion leaders.[4]

Group influence is strong for products that are visible to others whom the buyer respects. Linda Brown's interest in a laptop computer and her attitudes toward various brands will be strongly influenced by some of her membership groups. Her co-workers' attitudes and brand choices will influence her. The more cohesive the group, the more effective the group's communication process, and the higher the person esteems the group, the more the group will shape the person's product and brand choices.

FAMILY. The family is the most important consumer-buying organization in society, and it has been researched extensively.[5] Family members constitute the most influential primary reference group. We can distinguish between two families in

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the buyer's life. The *family of orientation* consists of one's parents and siblings. From parents a person acquires an orientation toward religion, politics, and economics and a sense of personal ambition, self-worth, and love.[6] Even if the buyer no longer interacts very much with his or her parents, the parents' influence on the buyer's behavior can be significant. In countries where parents live with their grown children, their influence can be substantial. A more direct influence on everyday buying behavior is one's *family of procreation*—namely, one's spouse and children.

Marketers are interested in the roles and relative influence of the husband, wife, and children in the purchase of a large variety of products and services. These roles vary widely in different countries and social classes. In the United States, husband-wife involvement has traditionally varied widely by product category. The wife has traditionally acted as the family's main purchasing agent, especially for food, sundries, and staple-clothing items. In the case of expensive products and services, husbands and wives have engaged in more joint decision making. Marketers need to determine which member normally has the greater influence in choosing various products. Often it is a matter of who has more power or expertise. Here are the traditional product patterns:

- *Husband dominant:* Life insurance, automobiles, television
- *Wife dominant:* Washing machines, carpeting, furniture, kitchenware
- *Equal:* Vacation, housing, outside entertainment

These patterns are gradually changing, however, due to the rise in employment of women, especially in nontraditional jobs. Shifts in social values regarding the division of domestic labor have also weakened such standard conceptions as "women buy all the household goods." Recent research has shown that while traditional buying patterns still hold, baby boomer husband and wives are more willing to shop jointly for products traditionally thought to be under the separate control of one spouse or the other.[7] Hence, convenience-goods marketers are making a mistake if they think of women as the main or only purchasers of their products. Similarly, marketers of products traditionally purchased by men may need to start thinking of women as possible purchasers. This is already happening in the hardware business:

BUILDERS SQUARE

In 1993 hardware outlets in the United States saw sales rise 9.8% to $104.4 billion. According to the National Retail Hardware Association/Home Center Institute, women account for 49.6% of all hardware-store purchases. The rise in women's tool ownership is due to more divorced women being forced to handle minor home emergencies, and more married and single women buying less-expensive homes that need repairs. One retailer that spotted the trend early and has capitalized on it is Builders Square. In 1991 the San Antonio–based company turned what had been an intimidating warehouse into a user-friendly retail outlet. The new Builders Square II outlets feature decorator design centers toward the front of the store. To draw more women into the more appealing stores, Builders Square began running ads targeting women in *Home, House Beautiful, Woman's Day,* and *Better Homes and Gardens.* Builders Square now even offers bridal registries. Says a marketing director at Builders Square, "It's more meaningful to them to have a great patio set or gas grill than to have fine china."[8]

Another shift in buying patterns is the increasing amount of influence wielded by children and teens. Children aged 4 to12 years old spent $11.2 billion on their wants and needs in 1993, and influenced additional purchases totaling $154.4 billion. Spending is also growing faster among children than in other demographic groups at close to 20% a year.[9]

In the case of Linda Brown's purchase of a laptop computer, her husband and children may play influencer roles. Her husband may have initiated the suggestion,

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and he may offer advice on the brand and features. His influence will depend on the strength of his opinion and how much Linda values his opinion. Her children may hope that Linda will purchase software programs that can help them with their homework or play games.

ROLES AND STATUSES. A person participates in many groups throughout life—family, clubs, organizations. The person's position in each group can be defined in terms of role and status. A *role* consists of the activities that a person is expected to perform. With her parents, Linda Brown plays the role of daughter; in her family, she plays wife and mother; in her company, she plays sales manager. Each of Linda's roles will influence some of her buying behavior.

Each role carries a *status*. A Supreme Court justice has more status than a sales manager, and a sales manager has more status than an office clerk. People choose products that communicate their role and status in society. Thus company presidents often drive Mercedes, wear expensive suits, and drink Chivas Regal Scotch. Marketers are aware of the *status symbol* potential of products and brands.

Personal Factors

A buyer's decisions are also influenced by personal characteristics. These include the buyer's age and stage in the life cycle, occupation, economic circumstances, lifestyle, and personality and self-concept.

AGE AND STAGE IN THE LIFE CYCLE. People buy different goods and services over their lifetime. They eat baby food in the early years, most foods in the growing and mature years, and special diets in the later years. People's taste in clothes, furniture, and recreation is also age related.

Consumption is also shaped by the *family life cycle*. Nine stages of the family life cycle are listed in Table 6-2 on the next page, along with the financial situation and typical product interests of each group. Marketers often choose life-cycle groups as their target market. But it should be added that target households are not always family based. Marketers are also targeting single households, gay households, and cohabitor households.

Some recent work has identified *psychological life-cycle stages*. Adults experience certain "passages" or "transformations" as they go through life.[10] Marketers pay close attention to changing life circumstances—divorce, widowhood, remarriage—and their effect on consumption behavior.

OCCUPATION. A person's occupation also influences his or her consumption pattern. A blue-collar worker will buy work clothes, work shoes, and lunch boxes. A company president will buy expensive suits, air travel, country club membership, and a large sailboat. Marketers try to identify the occupational groups that have above-average interest in their products and services. A company can even specialize its products for certain occupational groups. Thus computer software companies will design different computer software for brand managers, engineers, lawyers, and physicians.

ECONOMIC CIRCUMSTANCES. Product choice is greatly affected by one's economic circumstances. People's economic circumstances consist of their spendable income (its level, stability, and time pattern), savings and assets (including the percentage that is liquid), debts, borrowing power, and attitude toward spending versus saving. Linda Brown can consider buying a laptop computer if she has enough spendable income, savings, or borrowing power and prefers spending to saving.

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TABLE 6-2 THE FAMILY LIFE CYCLE AND BUYING BEHAVIOR

STAGE IN FAMILY LIFE CYCLE	BUYING OR BEHAVIORAL PATTERN
1. Bachelor stage: young, single people not living at home.	Few financial burdens. Fashion opinion leaders. Recreation oriented. Buy: basic kitchen equipment, basic furniture, cars, equipment for the mating game, vacations.
2. Newly married couples: young, no children.	Better off financially than they will be in near future. Highest purchase rate and highest average purchase of durables. Buy: cars, refrigerators, stoves, sensible and durable furniture, vacations.
3. Full nest I: youngest child under six.	Home purchasing at peak. Liquid assets low. Dissatisfied with financial position and amount of money saved. Interested in new products. Like advertised products. Buy: washers, dryers, TV, baby food, chest rubs and cough medicines, vitamins, dolls, wagons, sleds, skates.
4. Full nest II: youngest child six or over.	Financial position better. Less influenced by advertising. Buy larger-size packages, multiple-unit deals. Buy: many foods, cleaning materials, bicycles, music lessons, pianos.
5. Full nest III: older married couples with dependent children	Financial position still better. Some children get jobs. Hard to influence with advertising. High average purchase of durables. Buy: new, more tasteful furniture, auto travel, unnecessary appliances, boats, dental services, magazines.
6. Empty nest I: older married couples, no children living with them, head of household in labor force.	Home ownership at peak. Most satisfied with financial position and money saved. Interested in travel, recreation, self-education. Make gifts and contributions. Not interested in new products. Buy: vacations, luxuries, home improvements.
7. Empty nest II: older married. No children living at home, head of household retired.	Drastic cut in income. Keep home. Buy: medical appliances, medical-care products that aid health, sleep, and digestion.
8. Solitary survivor, in labor force.	Income still good but likely to sell home.
9. Solitary survivor, retired.	Same medical and product needs as other retired group; drastic cut in income. Special need for attention, affection, and security.

Sources: William D. Wells and George Gubar, "Life-Cycle Concepts in Marketing Research," *Journal of Marketing Research*, November 1996, pp. 355–63, here p. 362. Also see Patrick E. Murphy and William A. Staples, "A Modernized Family Life Cycle," *Journal of Consumer Research*, June 1979, pp 12–22; and Frederick W. Derrick and Diane E. Linfield, "The Family Life Cycle: An Alternative Approach," *Journal of Consumer Research*, September 1980, pp. 214–17.

Marketers of income-sensitive goods pay constant attention to trends in personal income, savings, and interest rates. If economic indicators point to a recession, marketers can take steps to redesign, reposition, and reprice their products so they continue to offer value to target customers.

LIFESTYLE. People coming from the same subculture, social class, and occupation may lead quite different lifestyles.

- A person's LIFESTYLE is the person's pattern of living in the world as expressed in the person's activities, interests, and opinions. Lifestyle portrays the "whole person" interacting with his or her environment.

Linda Brown, for example, can choose to live a "belonging" lifestyle by wearing conservative clothes, spending a lot of time with her family, and helping her church. Or she can choose an "achiever" lifestyle by working long hours on major projects and playing hard at travel and sports.

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Marketers search for relationships between their products and lifestyle groups. For example, a computer manufacturer might find that most computer buyers are achievement-oriented. The marketer may then aim the brand more clearly at the achiever lifestyle. Ad copywriters can then employ words and symbols that appeal to achievers.

Two frameworks that have been used to develop lifestyle classification are described in the Marketing Insight titled "How Lifestyles Are Identified." But lifestyle segmentation schemes are by no means universal. McCann-Erickson London, for example, identified the following British lifestyles: Avant-Gardians (interested in change), Pontificators (traditionalists, very British), Chameleons (follow the crowd), and Sleepwalkers (contented underachievers). In 1992 the advertising agency D'Arcy, Masius, Benton & Bowles published *The Russian Consumer: A New Perspective and a Marketing Approach*, which revealed five categories of Russian consumers: "Kuptsi" (merchants), "Cossacks," "Students," "Business Executives," and "Russian Souls." For example, Cossacks are characterized as ambitious, independent, and status seeking, while Russian Souls are passive, fearful of choices, and hopeful. While Cossacks would drive a BMW, smoke Dunhill cigarettes, and drink Remy Martin liquor, Russian Souls would drive a Lada, smoke Marlboros, and drink Smirnoff vodka.[11]

PERSONALITY AND SELF-CONCEPT. Each person has a distinct personality that influences his or her buying behavior.

❖ By PERSONALITY, we mean a person's distinguishing psychological characteristics that lead to relatively consistent and enduring responses to his or her environment.

Personality is usually described in terms of such traits as self-confidence, dominance, autonomy, deference, sociability, defensiveness, and adaptability.[12] Personality can be a useful variable in analyzing consumer behavior, provided that personality types can be classified accurately and that strong correlations exist between certain personality types and product or brand choices. For example, a computer company might discover that many prospects have high self-confidence, dominance, and autonomy. This suggests designing computer advertisements to appeal to these traits.

Related to personality is a person's *self-concept* (or self-image). Linda Brown may see herself as highly accomplished and deserving the best, in which case she will favor a computer that projects the same qualities. If the IBM laptop computer is promoted and priced for those who want the best, then its brand image will match her self-image. Marketers try to develop brand images that match the target market's self-image.

It is possible that Linda's *actual self-concept* (how she views herself) differs from her *ideal self-concept* (how she would like to view herself) and from her *others-self-concept* (how she thinks others see her). Which self will she try to satisfy in choosing a computer? Because it is difficult to answer this question, self-concept theory has had a mixed record of success in predicting consumer responses to brand images.[13]

Psychological Factors

A person's buying choices are influenced by four major psychological factors—motivation, perception, learning, and beliefs and attitudes.

MOTIVATION. A person has many needs at any given time. Some needs are *biogenic*: they arise from physiological states of tension such as hunger, thirst, discomfort. Other needs are *psychogenic*: they arise from psychological states of ten-

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How Lifestyles Are Identified

For marketers in the 1990s, the critical question is: "What is going on in the consumer's head?" *Psychographics*—the science of measuring and categorizing consumer lifestyles—offers insight into this question. By identifying different consumer lifestyles, marketers can achieve more precision in their targeting. Two of the most popular lifestyle classifications based on psychographic measurements are the AIO framework and the VALS 2 framework.

The AIO Framework

In this approach, respondents are presented with long questionnaires designed to measure their activities, interests, and opinions (AIO). The following table shows the major dimensions used to measure the AIO elements, as well as respondents' demographics.

ACTIVITIES	INTERESTS	OPINIONS	DEMOGRAPHICS
Work	Family	Themselves	Age
Hobbies	Home	Social issues	Education
Social events	Job	Politics	Income
Vacation	Community	Business	Occupation
Entertainment	Recreation	Economics	Family size
Clubs	Fashion	Education	Dwelling
Community	Food	Products	Geography
Shopping	Media	Future	City size
Sports	Achievements	Culture	Stage in cycle

Source: From Joseph T. Plummer, "The Concept and Application of Life-Style Segmentation," *Journal of Marketing*, January 1974, p. 34. Reprinted with permission of the American Marketing Association.

Many of the questions are in the form of agreeing or disagreeing with such statements as:

- I would like to become an actor.
- I enjoy going to concerts.
- I usually dress for fashion, not for comfort.

Once collected, the data are analyzed on a computer to find distinctive lifestyle groups. Using this approach, the Chicago-based advertising agency of Needham, Harper and Steers identified several major lifestyle groups. Here are the five male groups:

- Self-made businessman
- Successful professional
- Devoted family man
- Frustrated factory worker
- Retiring homebody

When developing an advertising campaign, the marketers state the target lifestyle group, and the ad people develop an ad appealing to the AIO characteristics of the group(s).

VALS™

Introduced in 1978, SRI International's Values and Lifestyles (VALS) framework has been the only commercially available psychographic segmentation to gain widespread acceptance. Through a proprietary research program initiated in 1960, SRI designed its original VALS system to yield insights into why people believe and act as they do; how internal values and attitudes are expressed as external lifestyles. The VALS system was revised in 1989 (VALS 2, Figure 1) to focus more explicitly on explaining and understanding consumer behavior. VALS 2 classifies all U.S. adults into eight consumer groups based on their answers to 35 attitudinal and 4 demographic questions. In 1996, the smallest two groups, Fulfilleds and Strugglers, each account for about 10% of the adult population, while the other segments each represent from 12% to 16% of the population. The major tendencies of the four groups with greater resources are:

- **Actualizers:** Successful, sophisticated, active, "take-charge" people. Purchases often reflect cultivated tastes for relatively upscale, niche-oriented products.
- **Fulfilleds:** Mature, satisfied, comfortable, reflective. Favor durability, functionality and value in products.
- **Achievers:** Successful, career- and work-oriented. Favor established, prestige products that demonstrate success to their peers.
- **Experiencers:** Young, vital, enthusiastic, impulsive, and rebellious. Spend a comparatively high proportion of their income on clothing, fast food, music, movies, and video.

The major tendencies of the four groups with fewer resources are:

- **Believers:** Conservative, conventional, and traditional. Favor familiar products and established brands.

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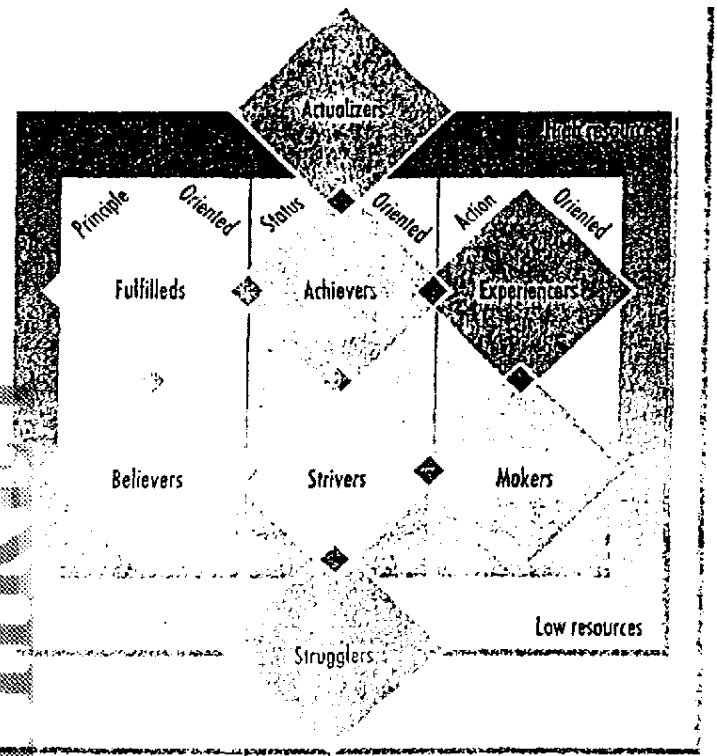
FIGURE 1
The VALS™ 2 Framework



Source: SRI International, Menlo Park, CA. VALS™ 2 is a trademark of SRI International.

- **Strivers:** Uncertain, insecure, approval-seeking, resource constrained. Favor stylish products that emulate the purchases of those with greater material wealth.
- **Makers:** Practical, self-sufficient, traditional, family oriented. Favor only products with a practical or functional purpose such as tools, utility vehicles, fishing equipment.
- **Strugglers:** Elderly, resigned, passive, concerned, resource constrained. Cautious consumers who are loyal to favorite brands.

Arnold Mitchell, the developer of the original VALS system, relied heavily on the research of personality theorists working in the area of developmental psychology. Mitchell's goal was to better explain the dynamics of societal change, and he postulated that individual's values, developing and changing over a lifetime, are crucial determinants of social change. Despite its broad focus on society, VALS was widely used in the marketing community as a way to better understand product acceptance and to design target advertising. However, its usefulness in marketing diminished in the late 1980s with an increasing diversity of products, of distribution, and of media. Consequently, SRI developed and released VALS 2 in 1989 to segment Americans into groups exhibiting distinctive consumer behaviors. VALS 2 combines general personality theory with research on product diffusion. The system identifies persons' VALS 2 types by scoring responses to the VALS 2 questionnaire, which asks them to agree or disagree with statements such as "I like my life to be pretty much the same from week to week," "I often crave excitement," and "I would rather make something than buy it" in contrast to original VALS items asking people, for example, about their attitudes toward abortion or legalizing marijuana.

Sources: Arnold Mitchell, *The Nine American Lifestyles* (New York: Warner Books), pp. viii–x, 25–31; Personal Communication from the VALS™ Program, Business Intelligence Center, SRI Consulting, Menlo Park, CA, February 1, 1996.

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sion such as the need for recognition, esteem, or belonging. Most psychogenic needs are not intense enough to motivate the person to act on them immediately. A need becomes a motive when it is aroused to a sufficient level of intensity. A *motive* is a need that is sufficiently pressing to drive the person to act. Satisfying the need reduces the felt tension.

Psychologists have developed theories of human motivation. Three of the best known—the theories of Sigmund Freud, Abraham Maslow, and Frederick Herzberg—carry quite different implications for consumer analysis and marketing strategy.

Freud's Theory of Motivation. Freud assumed that the real psychological forces shaping people's behavior are largely unconscious. Thus a person cannot fully understand his or her own motivations. If Linda Brown wants to purchase a laptop computer, she may describe her motive as wanting to work more efficiently when traveling. At a deeper level, she may be purchasing a computer to impress others. At a still deeper level, she may be buying the computer because it helps her feel smart and sophisticated.[14]

When Linda examines specific brands, she will react not only to their stated capabilities but also to other, less conscious cues. Each computer's shape, size, weight, material, color, and brand name can all trigger certain associations and emotions. Thus computer designers should be aware of the impact of visual, auditory, and tactile elements in triggering consumer emotions that could stimulate or inhibit purchase.

Motivation researchers collect "in-depth interviews" with a few dozen consumers to uncover deeper motives triggered by a product. They use various "projective techniques" to throw the ego off guard—techniques such as word association, sentence completion, picture interpretation, and role playing. Their research has produced interesting and occasionally bizarre hypotheses: Consumers resist prunes because prunes are wrinkled looking and remind people of old age, men smoke cigars as an adult version of thumb sucking, and women prefer vegetable shortening to animal fats because the latter arouse a sense of guilt over killing animals.

More recent practicing motivational researchers hold that each product is capable of arousing a unique set of motives in consumers. For example, whisky can draw someone who seeks social relaxation, or status, or fun. Therefore it is not surprising that different whisky brands have specialized in one of these three different appeals. Jan Callebaut calls this approach "motivational positioning."[15]

Maslow's Theory of Motivation. Abraham Maslow sought to explain why people are driven by particular needs at particular times.[16] Why does one person spend considerable time and energy on personal safety and another on pursuing the high opinion of others? Maslow's answer is that human needs are arranged in a hierarchy, from the most pressing to the least pressing. In their order of importance, they are physiological needs, safety needs, social needs, esteem needs, and self-actualization needs (Figure 6-3). People will try to satisfy their most important needs first. When a person succeeds in satisfying an important need, that need will cease being a current motivator, and the person will try to satisfy the next-most-important need. For example, a starving man (need 1) will not take an interest in the latest happenings in the art world (need 5), nor in how he is viewed by others (need 3 or 4), nor even in whether he is breathing clean air (need 2). But when he has enough food and water, the next-most-important need will become salient.

Maslow's theory helps marketers understand how various products fit into the plans, goals, and lives of potential consumers. What light does Maslow's theory shed on Linda Brown's interest in buying a computer? We can guess that Linda has satisfied her physiological, safety, and social needs. Her computer interest might

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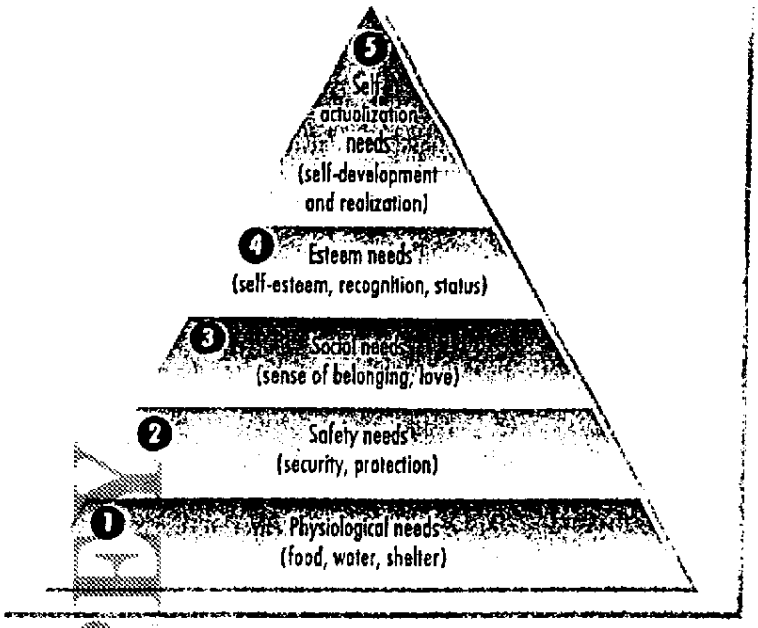

FIGURE 6-3
Maslow's Hierarchy of Needs

come from a strong need for more esteem from others or from a higher need for self-actualization.

Herzberg's Theory of Motivation. Frederick Herzberg developed a *two-factor theory* of motivation that distinguishes dissatisfiers (factors that cause dissatisfaction) and satisfiers (factor that cause satisfaction).[17] The absence of dissatisfiers is not enough; rather, satisfiers must be actively present to motivate a purchase. For example, an Apple computer that does not come with a warranty would be a dissatisfier. Yet the presence of a product warranty would not act as a satisfier or motivator of Linda's purchase, since it is not a source of intrinsic satisfaction with the Apple computer. The Apple computer's ease of use would be a satisfier and enhance Linda's enjoyment of the computer.

Herzberg's theory of motivation has two implications. First, sellers should do their best to avoid dissatisfiers (for example, a poor training manual or a poor service policy). While these things will not sell the computer, they might easily unsell the computer. Second, the manufacturer should identify the major satisfiers or motivators of purchase in the market and then supply them. These satisfiers will make the major difference as to which computer brand the customer buys.

PERCEPTION. A motivated person is ready to act. How the motivated person actually acts is influenced by his or her perception of the situation.

❖ PERCEPTION is the process by which an individual selects, organizes, and interprets information inputs to create a meaningful picture of the world.[18]

Perception depends not only on the physical stimuli but also on the stimuli's relation to the surrounding field and on conditions within the individual.

The key word in the definition of perception is "individual." Linda Brown might perceive a fast-talking computer salesperson as aggressive and insincere. Another shopper might perceive the same salesperson as intelligent and helpful. Why do people perceive the same situation differently? People can emerge with different perceptions of the same object because of three perceptual processes: selective attention, selective distortion, and selective retention. As a result, people

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may not necessarily see or hear the message that marketers want to send. Marketers must therefore be careful to take these perceptual processes into account in designing their marketing campaigns.

Selective Attention. People are exposed to a tremendous amount of daily stimuli. For example, the average person may be exposed to over 1,500 ads a day. Because a person cannot possibly attend to all of these stimuli, most stimuli will be screened out—a process called *selective attention*. The real challenge is to explain which stimuli people will notice. Here are some findings:

- *People are more likely to notice stimuli that relate to a current need.* Linda Brown will notice computer ads because she is motivated to buy one; she will probably not notice stereo-equipment ads when a computer tops her needs list.
- *People are more likely to notice stimuli that they anticipate.* Linda Brown is more likely to notice computers than radios in a computer store because she did not expect the store to carry radios.
- *People are more likely to notice stimuli whose deviations are large in relation to the normal size of the stimuli.* Linda Brown is more likely to notice an ad offering $100 off the list price of an Apple computer than one offering $5 off the list price.

Selective attention means that marketers have to work hard to attract consumers' notice. Their messages will be lost on most people who are not in the market for the product. Even people who are in the market may not notice a message unless it stands out from the surrounding sea of stimuli. Ads that are novel or larger in size, use bold colors, or provide contrast to their surroundings are more likely to be noticed.

Selective Distortion. Even noted stimuli do not always come across in the way their creators intended. *Selective distortion* is people's tendency to twist information into personal meanings and interpret information in a way that will support rather than challenge their preconceptions. Thus Linda Brown may hear the salesperson mention good and bad points about an IBM computer. If Linda has a strong leaning toward IBM, she is likely to discount the negative statements to justify buying an IBM. Unfortunately, there is not much that marketers can do about selective distortion.

Selective Retention. People will forget much that they learn but will tend to retain information that supports their attitudes and beliefs. Because of *selective retention*, Linda is likely to remember good points mentioned about the IBM and forget good points mentioned about competing computers. She remembers IBM's good points because she "rehearses" them more (that is, she "talks to herself" more about IBM's good points) whenever she thinks about choosing a computer. Selective retention explains why marketers use drama and repetition in sending messages to their target market.

LEARNING. When people act, they learn.

❖ LEARNING involves changes in an individual's behavior arising from experience.

Most human behavior is learned. Learning theorists believe that learning is produced through the interplay of drives, stimuli, cues, responses, and reinforcement.

A *drive* is a strong internal stimulus impelling action. Presumably Linda Brown has a drive toward self-actualization. Her drive becomes a motive when it is directed toward a particular drive-reducing *stimulus*, in this case a computer. Linda's response to the idea of buying a computer is conditioned by the surrounding cues. *Cues* are minor stimuli that determine when, where, and how the person responds. Her husband's support, seeing a computer in a friend's home, seeing computer

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ads and articles, and hearing about a special sales price are all cues that can influence Linda's interest in buying a computer.

Suppose Linda buys a computer and chooses an IBM. If her experience is rewarding, her response to computers will be positively reinforced. Later on, when Linda wants to buy a copier, she may notice several brands, including one by IBM. Since she knows that IBM makes good computers, she may assume that IBM also makes good copiers. In other words, she *generalizes* her response to similar stimuli.

A counter-tendency to generalization is *discrimination*. When Linda examines a copier made by Sharp, she sees that it is lighter and more compact than IBM's copier. Discrimination means that Linda has learned to recognize differences in sets of similar stimuli and can adjust her responses accordingly.

Learning theory teaches marketers that they can build up demand for a product by associating it with strong drives, using motivating cues, and providing positive reinforcement. A new company can enter the market by appealing to the same drives that competitors use and providing similar cue configurations because buyers are more likely to transfer loyalty to similar brands than to dissimilar brands (generalization). Or the company might design its brand to appeal to a different set of drives and offer strong cue inducements to switch (discrimination).

Companies that produce commodity products can take advantage of consumers' ability to discriminate. Consider what has happened in the poultry industry, where you'd think that one chicken is pretty much like the next:

PERDUE Perdue, Holly Farms, and other poultry companies maintain that their breeding methods, manufacturing equipment, and overall quality control processes distinguish their chickens from the rest. For example, Perdue controls the breeding operation as the first step toward producing a quality bird with distinct characteristics. Its chickens are raised on a chemical-free and steroid-free diet. Perdue has also differentiated itself through advertising that features Frank Perdue and the slogan, "It takes a tough man to make a tender chicken."[19]

BELIEFS AND ATTITUDES. Through doing and learning, people acquire beliefs and attitudes. These in turn influence their buying behavior.

- A BELIEF is a descriptive thought that a person holds about something.

Linda Brown may believe that an IBM computer has a large memory, stands up well under rugged usage, and costs $2,000. These beliefs may be based on knowledge, opinion, or faith. They may or may not carry an emotional charge. For example, Linda Brown's belief that an IBM laptop computer is heavier than an Apple might not matter to her decision.

Of course, manufacturers are very interested in the beliefs that people carry in their heads about their products and services. These beliefs make up product and brand images, and people act on their images. If some beliefs are wrong and inhibit purchase, the manufacturer will want to launch a campaign to correct these beliefs.[20]

Particularly important to global marketers is the fact that buyers often hold distinct beliefs about brands or products based on their country of origin. Several country-of-origin studies have found the following:

- The impact of country of origin varies with the type of product. Consumers would want to know where a car was made but not where the lubricating oil came from.
- Certain countries enjoy a reputation for certain goods: Japan for automobiles and consumer electronics; the United States for high-tech innovations, soft drinks, toys, cigarettes, and jeans; and France for wine, perfume, and luxury goods.

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- The more favorable a country's image, the more prominently the "Made in . . . " label should be displayed in promoting the brand.
- Attitudes toward country of origin can change over time. Note how Japan has greatly improved its quality image in comparison to pre–World War II days.

A company has several options when its products are competitively priced but their place of origin turns off consumers. The company can consider co-production with a foreign company that has a better name. Thus South Korea could make a fine leather jacket that it sends to Italy for finishing. Or the company can adopt a strategy to achieve world-class quality in the local industry, as is the case with Belgian chocolates, Polish ham, and Colombian coffee. Finally, the company can hire a well-known celebrity to endorse the product. Nike has had a great deal of success using basketball star Michael Jordan to promote its footware in Europe.[21]

Just as important as beliefs are attitudes.

An ATTITUDE is a person's enduring favorable or unfavorable evaluations, emotional feelings, and action tendencies toward some object or idea.[22]

People have attitudes toward almost everything: religion, politics, clothes, music, food, and so on. Attitudes put them into a frame of mind of liking or disliking an object, moving toward or away from it. Thus Linda Brown may hold such attitudes as, "Computers are an essential tool for professional workers," "Buy the best," and "IBM makes the best computers in the world." The IBM computer is therefore relevant to Linda because it fits well into her preexisting attitudes. A computer company can benefit greatly from researching the attitudes people hold toward the company, the product, and the brand.

Attitudes lead people to behave in a fairly consistent way toward similar objects. People do not have to interpret and react to every object in a fresh way. Attitudes economize on energy and thought. For this reason, attitudes are very difficult to change. A person's attitudes settle into a consistent pattern, and to change a single attitude may require major adjustments in other attitudes.

Thus a company would be well advised to fit its product into existing attitudes rather than to try to change people's attitudes. Of course, there are exceptions where the great cost of trying to change attitudes might pay off. Here are two examples of food organizations that used ad campaigns to change consumer attitudes, with handsome results:

CALIFORNIA RAISINS

When California raisin growers found themselves with a huge surplus, they faced a major obstacle in consumer attitudes toward the wrinkled little snack. Research showed that consumers were aware that raisins are nutritious, they thought they were "boring." Enter the California Raisin Advisory Board and its dancing raisin ads. The campaign, featuring Claymation raisins dancing to Marvin Gaye's "Heard It Through the Grapevine," had emotional appeal and is credited with wiping out the state's raisin surplus.[23]

THE NATIONAL PORK COUNCIL

By 1985 pork consumption had dropped to 59 pounds per capita from a high of 68 pounds in 1980. The nation was on an anti-beef and anti-pork kick, favoring leaner, less cholesterol-laden poultry. While pork products were actually improved as a result of new feeding and breeding methods, the public still considered pork an unhealthy choice. The National Pork Producers Council called in ad agency Bozell Inc. to change the image of pork, and it put some $12 million a year into a national marketing campaign. The new campaign centered on the slogan, "Pork. The Other White Meat" (Figure 6-4). Between 1986, when the campaign began, and 1988, pork sales rose 11%—about equal to the gain for chicken, and far ahead of the 2% increase for beef in the same period.[24]

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FIGURE 6-4
Changing Consumer Attitudes with Advertising

Source: Courtesy of the *National Pork Producers Council.*

THE BUYING PROCESS

To be successful, marketers have to go beyond the various influences on buyers and develop an understanding of how consumers actually make their buying decisions. Specifically, marketers must identify who makes the buying decision, the types of buying decisions, and the steps in the buying process.

Buying Roles

It is easy to identify the buyer for many products. Men normally choose their shaving equipment, and women choose their pantyhose. But even here marketers must be careful in making their targeting decisions, because buying roles change. ICI,

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the giant British chemical company, discovered to its surprise that women made 60% of the decisions on the brand of household paint: ICI therefore decided to advertise its DeLux brand to women.

We can distinguish five roles people might play in a buying decision:

- *Initiator:* A person who first suggests the idea of buying the product or service
- *Influencer:* A person whose view or advice influences the decision
- *Decider:* A person who decides on any component of a buying decision—whether to buy, what to buy, how to buy, or where to buy
- *Buyer:* The person who makes the actual purchase
- *User:* A person who consumes or uses the product or service

Consider Linda Brown's interest in buying a laptop computer. Her interest might have been initially stimulated by a co-worker (initiator). In searching for a brand, she may have consulted with the head of her company's data processing department, who made some suggestions (influencer). Linda made the final decision (decider). Her husband said that he would purchase it for her as a birthday gift (buyer). Linda will be the computer's primary user (user).

Buying Behavior

Consumer decision making varies with the type of buying decision. The decisions to buy toothpaste, a tennis racket, a personal computer, and a new car are all very different. Complex and expensive purchases are likely to involve more buyer deliberation and more participants. Assael distinguished four types of consumer buying behavior based on the degree of buyer involvement and the degree of differences among brands[25] (Table 6-3).

COMPLEX BUYING BEHAVIOR. Consumers engage in *complex buying behavior* when they are highly involved in a purchase and aware of significant differences among brands. This is usually the case when the product is expensive, bought infrequently, risky, and highly self-expressive. Typically the consumer does not know much about the product category and has much to learn. For example, a person buying a personal computer may not know what attributes to look for. Many of the product features carry no meaning unless the buyer has done some research. "16K memory," "disk storage," "screen resolution," and so on.

Complex buying behavior involves a three-step process. First, the buyer develops beliefs about the product. Second, he or she develops attitudes about the product. Third, he or she makes a thoughtful purchase choice. The marketer of a high-involvement product must understand high-involvement consumers' information-gathering and evaluation behavior. The marketer needs to develop strategies

TABLE 6-3 FOUR TYPES OF BUYING BEHAVIOR

	HIGH INVOLVEMENT	LOW INVOLVEMENT
Significant Differences Between Brands	Complex buying behavior	Variety-seeking buying behavior
Few Differences Between Brands	Dissonance-reducing buying behavior	Habitual buying behavior

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that assist the buyer in learning about the product's attributes and their relative importance, and that call attention to the high standing of the company's brand on the more important attributes. The marketer needs to differentiate the brand's features, use print media to describe the brand's benefits, and motivate store sales personnel and the buyer's acquaintances to influence the final brand choice.

DISSONANCE-REDUCING BUYER BEHAVIOR. Sometimes the consumer is highly involved in a purchase but sees little difference in the brands. The high involvement is based on the fact that the purchase is expensive, infrequent, and risky. In this case, the buyer will shop around to learn what is available but will buy fairly quickly, perhaps responding primarily to a good price or to purchase convenience. For example, carpet buying is a high-involvement decision because carpeting is expensive and self-expressive, yet the buyer may consider most carpet brands in a given price range to be the same.

After the purchase, the consumer might experience dissonance that stems from noticing certain disquieting features of the carpet or hearing favorable things about other carpets. The consumer will be alert to information that justifies his or her decision. In this example, the consumer first acted, then acquired new beliefs, then ended up with a set of attitudes. Thus marketing communications should aim at supplying beliefs and evaluations that help the consumer feel good about his or her brand choice.

HABITUAL BUYING BEHAVIOR. Many products are bought under conditions of low consumer involvement and the absence of significant brand differences. Consider salt. Consumers have little involvement in this product category. They go to the store and reach for the brand. If they keep reaching for the same brand, it is out of habit, not strong brand loyalty. There is good evidence that consumers have low involvement with most low-cost, frequently purchased products.

With low-involvement products, consumer behavior does not pass through the normal belief/attitude/behavior sequence. Consumers do not search extensively for information about the brands, evaluate their characteristics, and make a weighty decision on which brand to buy. Instead, they are passive recipients of information as they watch television or see print ads. Ad repetition creates *brand familiarity* rather than *brand conviction*. Consumers do not form a strong attitude toward a brand; rather, they select it because it is familiar. After purchase, they may not even evaluate the choice because they are not highly involved with the product. Thus for low-involvement products the buying process begins with brand beliefs formed by passive learning and is followed by purchase behavior, which may be followed by evaluation.

Marketers of low-involvement products with few brand differences find it effective to use price and sales promotions to stimulate product trial, since buyers are not highly committed to any brand. The ad copy should stress only a few key points and use visual symbols and imagery that can be easily remembered and associated with the brand. The ad campaigns should aim for high repetition with short-duration messages. Television is more effective than print media because it is a low-involvement medium that is suitable for passive learning.[26]

Marketers use four techniques to try to convert low-involvement product into one of higher involvement. First, they can link the product to some involving issue, as when Crest toothpaste is linked to avoiding cavities. Second, they can link the product to some involving personal situation—for instance, by advertising a coffee brand early in the morning when the consumer wants to shake off sleepiness. Third, they might design their advertising to trigger strong emotions related to personal values or ego defense. Fourth, they might add an important product

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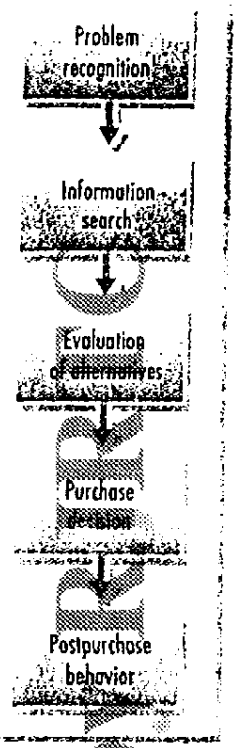

FIGURE 6-5
Five-Stage Model of the Consumer Buying Process

feature to a low-involvement product (for example, fortifying a plain drink with vitamins). These strategies at best raise consumer involvement from a low to a moderate level; they do not propel the consumer into highly involved buying behavior.

VARIETY-SEEKING BUYING BEHAVIOR. Some buying situations are characterized by low consumer involvement but significant brand differences. Here consumers often do a lot of brand switching. Think about cookies. The consumer has some beliefs about cookies, chooses a brand of cookies without much evaluation, and evaluates the product during consumption. But next time, the consumer may reach for another brand out of boredom or a wish for a different taste. Brand switching occurs for the sake of variety rather than dissatisfaction.

The market leader and the minor brands in this product category have different marketing strategies. The market leader will try to encourage habitual buying behavior by dominating the shelf space, avoiding out-of-stock conditions, and sponsoring frequent reminder advertising. Challenger firms will encourage variety seeking by offering lower prices, deals, coupons, free samples, and advertising that presents reasons for trying something new.

The Stages of the Buying Decision Process

Smart companies research the buying decision process involved in their product category. They ask consumers when they first became acquainted with the product category and brands, what their brand beliefs are, how involved they are with the product, how they make their brand choices, and how satisfied they are after purchase.

How can marketers learn about the stages in the buying process for their product? They can think about how they themselves would act *(introspective method)*. They can interview a small number of recent purchasers, asking them to recall the events leading to their purchase *(retrospective method)*. They can locate consumers who plan to buy the product and ask them to think out loud about going through the buying process *(prospective method)*. Or they can ask consumers to describe the ideal way to buy the product *(prescriptive method)*. Each method yields a picture of the steps in the consumer buying process.

Figure 6-5 shows a "stage model" of the typical buying process. The consumer passes through five stages: problem recognition, information search, evaluation of alternatives, purchase decision, and postpurchase behavior. Clearly the buying process starts long before the actual purchase and has consequences long afterward.[27]

The model in Figure 6-5 implies that consumers pass sequentially through all five stages in buying a product. But this is not the case, especially with low-involvement purchases. Consumers may skip or reverse some stages. Thus a woman buying her regular brand of toothpaste goes directly from the need for toothpaste to the purchase decision, skipping information search and evaluation. However, we will use the model in Figure 6-5 because it captures the full range of considerations that arise when a consumer faces a highly involving new purchase. Let's look once again at Linda Brown and try to understand how she became interested in buying a laptop computer and the stages she went through to make her final choice.[28]

PROBLEM RECOGNITION. The buying process starts when the buyer recognizes a problem or need. The buyer senses a difference between his or her actual state and a desired state. The need can be triggered by internal or external stimuli. In the former case, one of the person's normal needs—hunger, thirst, sex—rises to a threshold level and becomes a drive. In the latter case, a need is aroused by

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an external stimulus. A person passes a bakery and sees freshly baked bread that stimulates her hunger; she admires a neighbor's new car; or she watches a television commercial advertising a Hawaiian vacation.

Marketers need to identify the circumstances that trigger a particular need. Linda Brown's need might be triggered by the fact that her "busy season" is peaking or that she was impressed with a co-worker's laptop. By gathering information from a number of consumers, marketers can identify the most frequent stimuli that spark an interest in a product category. The marketer can then develop marketing strategies that trigger consumer interest.

INFORMATION SEARCH. An aroused consumer will be inclined to search for more information. We can distinguish between two levels of arousal. The milder search state is called *heightened attention*. At this level Linda Brown simply becomes more receptive to information about computers. She pays attention to computer ads, computers purchased by friends, and conversation about computers.

At the next level, Linda may enter *active information search*. She actually looks for reading material, phones friends, and engages in other activities to learn about computers. How much search she undertakes depends on the strength of her drive, the amount of information she initially has, the ease of obtaining additional information, the value she places on additional information, and the satisfaction she gets from search.

Of key interest to the marketer are the major information sources to which the consumer will turn and the relative influence each will have on the subsequent purchase decision. Consumer information sources fall into four groups:

- *Personal sources:* Family, friends, neighbors, acquaintances
- *Commercial sources:* Advertising, salespersons, dealers, packaging, displays
- *Public sources:* Mass media, consumer-rating organizations
- *Experiential sources:* Handling, examining, using the product

The relative amount and influence of these information sources vary with the product category and the buyer's characteristics. Generally speaking, the consumer receives the most information about a product from commercial sources—that is, marketer-dominated sources. But the most effective information comes from personal sources. Each information source performs a different function in influencing the buying decision. Commercial information normally performs an informing function, and personal sources perform a legitimizing and/or evaluation function. For example, physicians often learn of new drugs from commercial sources but turn to other doctors for evaluation information.

Through gathering information, the consumer learns about competing sets of brands and their features. The first box in Figure 6-6 on the next page shows the *total set* of brands available to the consumer. Linda Brown will come to know only a subset of these brands *(awareness set)*. Some brands will meet Linda's initial buying criteria *(consideration set)*. As Linda gathers more information, only a few will remain as strong contenders *(choice set)*. The brands in the choice set might all be acceptable. Linda makes her final choice from this set.[29]

Figure 6-6 makes it clear that a company must strategize to get its brand into the prospect's awareness set, consideration set, and choice set. The company must also identify the other brands in the consumer's choice set so that it can plan its competitive appeals. In addition, the company should identify the consumer's information sources and evaluate their relative importance. Consumers should be asked how they first heard about the brand, what information came in later, and the relative importance of the different information sources. The answers will help the company prepare effective communications for the target market.

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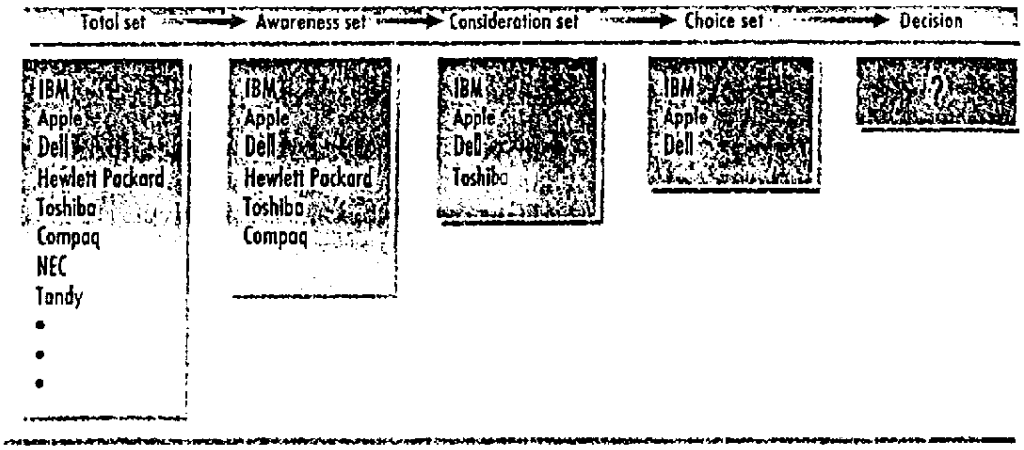
FIGURE 6-6
Successive Sets Involved in Consumer Decision Making



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EVALUATION OF ALTERNATIVES. How does the consumer process competitive brand information and make a final judgment of value? There is no simple and single evaluation process used by all consumers or by one consumer in all buying situations. There are several decision evaluation processes, the most current models of which see the consumer evaluation process as cognitively oriented. That is, they see the consumer as forming product judgments largely on a conscious and rational basis.

Some basic concepts will help us understand consumer evaluation processes: First, the consumer is trying to satisfy a *need*. Second, the consumer is looking for certain *benefits* from the product solution. Third, the consumer sees each product as a *bundle of attributes* with varying abilities of delivering the benefits sought to satisfy this need. The attributes of interest to buyers vary by product:

- *Cameras:* Picture sharpness, camera speeds, camera size, price
- *Motels:* Location, cleanliness, atmosphere, price
- *Mouthwash:* Color, effectiveness, germ-killing capacity, price, taste/flavor
- *Tires:* Safety, tread life, ride quality, price

Consumers differ as to which product attributes they see as most relevant as well as on the importance of weights they attach to each attribute. They will pay the most attention to the attributes that deliver the sought benefits. The market for a product can often be segmented according to the attributes that are salient to different consumer groups.

The consumer develops a set of *brand beliefs* about where each brand stands on each attribute. The set of beliefs about a brand make up the *brand image*. The consumer's brand image will vary with his or her experiences as filtered by the effects of selective perception, selective distortion, and selective retention.

The consumer arrives at attitudes (judgments, preferences) toward the various brands through an attribute evaluation procedure.[50] Suppose that Linda Brown has narrowed her choice set to four computers (A, B, C, D). Assume that she is interested in four attributes: memory capacity, graphics capability, size and weight, and price. Table 6-4 shows her beliefs about how each brand rates on the four attributes. Linda rates brand A as follows: memory capacity, 10 on a 10-point scale; graphics capability, 8; size and weight, 6; and price, 4 (somewhat expensive). She also has beliefs about how the other three computers rate on these attributes. Clearly, if one computer dominated the others on all the criteria, we could predict that Linda would choose it. But her choice set consists of brands that vary in their appeal. If Linda wants the best memory capacity, she should buy A; if she wants the best graphics capability, she should buy B; and so on.

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TABLE 6-4 A CONSUMER'S BRAND BELIEFS ABOUT COMPUTERS

COMPUTER	ATTRIBUTE			
	MEMORY CAPACITY	GRAPHICS CAPABILITY	SIZE AND WEIGHT	PRICE
A	10	8	6	4
B	8	9	8	3
C	6	8	10	5
D	4	3	7	8

Note: Each attribute is rated from 0 to 10, where 10 represents the highest level on that attribute. Price, however, is indexed in a reverse manner, with a 10 representing the lowest price, since a consumer prefers a low price to high price. Reproduced from Henry Assael, *Consumer Behavior and Marketing Action*, 1987, p. 87, with the permission of South-Western College Publishing, A division of International Thomson Publishing Inc.

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However, most buyers consider several attributes in their purchase decision. If we knew the weight that Linda Brown attaches to each of the four attributes, we could more reliably predict her computer choice. Suppose Linda assigned 40% of the importance to the computer's memory capacity, 30% to its graphics capability, 20% to its size and weight, and 10% to its price. To find Linda's perceived value for each computer, we multiply her weights by her beliefs about each computer's attributes. This computation leads to the following perceived values:

Computer A = 0.4(10) + 0.3(8) + 0.2(6) + 0.1(4) = 8.0

Computer B = 0.4(8) + 0.3(9) + 0.2(8) + 0.1(3) = 7.8

Computer C = 0.4(6) + 0.3(8) + 0.2(10) + 0.1(5) = 7.3

Computer D = 0.4(4) + 0.3(3) + 0.2(7) + 0.1(8) = 4.7

We would predict that Linda will favor computer A, which (at 8.0) has the highest perceived value.[31]

Suppose most computer buyers form their preferences the same way Linda does. Knowing this, a computer manufacturer can do a number of things to influence buyer decisions. The marketer of computer C, for example, could apply the following strategies to stimulate greater interest in brand C:

- *Modify the computer:* The marketer could redesign brand C so that it offers more memory or other characteristics that the buyer desires. This technique is called *real repositioning*.
- *Alter beliefs about the brand:* The marketer could try to alter buyers' beliefs about where the brand stands on key attributes. This tactic is especially useful if buyers underestimate brand C's qualities. It is not recommended if buyers are accurately evaluating brand C's exaggerated claims would lead to buyer dissatisfaction and bad word-of-mouth. Attempting to alter beliefs about the brand is called *psychological repositioning*.
- *Alter beliefs about the competitors' brands:* The marketer could try to change buyers' beliefs about where competitive brands stand on different attributes. This strategy, called *competitive depositioning*, makes sense when buyers mistakenly believe a competitor's brand has more quality than it actually has. It is often accomplished by running a comparison ad.
- *Alter the importance weights:* The marketer could try to persuade buyers to attach more importance to the attributes in which the brand excels. The marketer of brand C can tout the benefits of choosing a laptop computer with an ideal size and weight, since C is superior in this attribute.
- *Call attention to neglected attributes:* The marketer could draw the buyer's attention to neglected attributes. If brand C is a more ruggedly made computer, the market might tout the benefits of ruggedness.

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- *Shift the buyer's ideals:* The marketer could try to persuade buyers to change their ideal levels for one or more attributes. The marketer of brand C might try to convince buyers that computers with a large memory are more likely to jam and that a moderate-size memory is more desirable.[32]

In using these strategies, marketers are trying to influence the consumer's buying decision. But many consumers today are very knowledgeable about attempts by advertisers and salespeople to influence their behavior. Hence, marketers may want to take into account how consumers' own knowledge of persuasion techniques may guide their weighing of certain aspects of an advertising campaign or sales presentation.[33]

PURCHASE DECISION. In the evaluation stage, the consumer forms preferences among the brands in the choice set. The consumer may also form an intention to buy the most preferred brand. However, two factors can intervene between the purchase intention and the purchase decision (Figure 6-7).[34]

The first factor is the *attitudes of others*. Suppose Linda Brown's close colleague recommends strongly that Linda buy the lowest-priced computer (D). As a result, Linda's purchase probability will be somewhat reduced for computer A and somewhat increased for computer D. The extent to which another person's attitude reduces one's preferred alternative depends on two things: (1) the intensity of the other person's negative attitude toward the consumer's preferred alternative and (2) the consumer's motivation to comply with the other person's wishes.[35] The more intense the other person's negativism and the closer the other person is to the consumer, the more the consumer will adjust his or her purchase intention. The converse is also true: A buyer's preference for a brand will increase if someone he or she likes favors the same brand strongly. The influence of others becomes complex when several people close to the buyer hold contradictory opinions and the buyer would like to please them all.

The second factor is *unanticipated situational factors*. These may erupt to change the purchase intention. Linda Brown might lose her job, some other purchase might become more urgent, or a store salesperson may turn her off. Thus preferences and even purchase intentions are not completely reliable predictors of purchase behavior.

A consumer's decision to modify, postpone, or avoid a purchase decision is heavily influenced by *perceived risk*.[36] The amount of perceived risk varies with the amount of money at stake, the amount of attribute uncertainty, and the amount of consumer self-confidence. Consumers develop routines for reducing risk, such as decision avoidance, information gathering from friends, and preference for national brand names and warranties. Marketers must understand the factors that provoke a feeling of risk in consumers and provide information and support to reduce the perceived risk.

In executing a purchase intention, the consumer may make up to five purchase subdecisions. Thus Linda Brown will make a *brand decision* (brand A), *vendor decision* (dealer 2), *quantity decision* (one computer), *timing decision* (weekend),

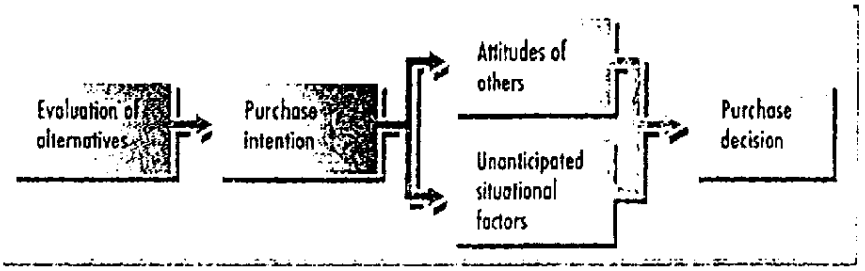

FIGURE 6-7
Steps Between Evaluation of Alternatives and a Purchase Decision

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and *payment-method decision* (credit card). Purchases of everyday products involve fewer decisions and less deliberation. For example, in buying sugar, Linda gives little thought to the vendor or payment method.

POSTPURCHASE BEHAVIOR. After purchasing the product, the consumer will experience some level of satisfaction or dissatisfaction. The marketer's job does not end when the product is bought but continues into the postpurchase period. Marketers must monitor postpurchase satisfaction, postpurchase actions, and postpurchase product use and disposal.

Postpurchase Satisfaction. After purchasing a product, a consumer may detect a flaw. Some buyers will no longer want the flawed product, others will be indifferent to the flaw, and some may even see the flaw as enhancing the product's value.[37] For instance, an upside-down page in the first edition of a famous author's book might make the book become a collectible item worth many times its original purchase price. Some flaws can be dangerous to consumers. Companies making automobiles, toys, and pharmaceuticals must quickly recall any product that has the slightest chance of injuring users.

What determines whether the buyer will be highly satisfied, somewhat satisfied, or dissatisfied with a purchase? The buyer's satisfaction is a function of the closeness between the buyer's product expectations and the product's perceived performance.[38] If the product's performance falls short of customer expectations, the customer is disappointed; if it meets expectations, the customer is satisfied; if it exceeds expectations, the customer is delighted. These feelings make a difference in whether the customer buys the product again and talks favorably or unfavorably about the product to others.

Consumers form their expectations on the basis of messages received from sellers, friends, and other information sources. If the seller exaggerates the benefits, consumers will experience disconfirmed expectations, which lead to dissatisfaction. The larger the gap between expectations and performance, the greater the consumer's dissatisfaction. Here the consumer's coping style comes into play. Some consumers magnify the gap when the product is not perfect, and they are highly dissatisfied. Other consumers minimize the gap and are less dissatisfied.[39]

The importance of postpurchase satisfaction suggests that sellers must make product claims that truthfully represent the product's likely performance. Some sellers might even understate performance levels so that consumers experience higher-than-expected satisfaction with the product. For example, a seller may create more satisfaction by promising delivery by 4 P.M. and actually delivering by 2 P.M. than if the seller promised delivery by 11 A.M. and didn't deliver until 12 noon.

Postpurchase Actions. The consumer's satisfaction or dissatisfaction with the product will influence subsequent behavior. If the consumer is satisfied, he or she will exhibit a higher probability of purchasing the product again. For example, data on automobile brand choice show a high correlation between being highly satisfied with the last brand bought and the intention to rebuy the brand. One survey showed that 75% of Toyota buyers were highly satisfied and about 75% intended to buy a Toyota again; 35% of Chevrolet buyers were highly satisfied and about 55% intended to buy a Chevrolet again. The satisfied customer will also tend to say good things about the brand to others. Marketers say: "Our best advertisement is a satisfied customer."[40]

Dissatisfied consumers respond differently. They may abandon or return the product. They may seek information that confirms its high value. They may take

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public action such as by complaining to the company, going to a lawyer, or complaining to other groups (such as business, private, or government agencies). Private actions include making a decision to stop buying the product *(exit option)* or warning friends *(voice option)*.[41] In all these cases, the seller has done a poor job of satisfying the customer.[42]

Marketers can and should take steps to minimize the amount of consumer postpurchase dissatisfaction. Postpurchase communications to buyers have been shown to result in fewer product returns and order cancellations.[43] Computer companies can send a letter to new computer owners congratulating them on having selected a fine computer. They can place ads showing satisfied brand owners. They can solicit customer suggestions for improvements and list the location of available services. They can write instruction booklets that are intelligible. They can send owners a magazine containing articles describing new computer applications. In addition, they can provide good channels for speedy redress of customer grievances.

Postpurchase Use and Disposal. Marketers should also monitor how the buyers use and dispose of the product (Figure 6-8). If consumers store the product in their closet, the product is probably not very satisfying, and word-of-mouth will not be strong. If they sell or trade the product, new-product sales will be depressed. If consumers find new uses for the product, marketers should advertise these uses:

AVON For years Avon's customers have been spreading the word that Skin-So-Soft bath oil and moisturizer is a terrific bug repellent. While some consumers simply bathed in water scented with the fragrant oil, others carried it in their backpacks to mosquito-infested campsites or kept a bottle on the deck of their beach houses. Now, after receiving approval by the Environmental Protection Agency, Avon is touting Skin So Soft Moisturizing Suncare Plus as a triple-action product, providing insect repellent and waterproof SPF 15 sunscreen as well as moisturizers.[44]

If consumers throw the product away, the marketer needs to know how they dispose of it, especially if it can hurt the environment (as in the case with beverage containers and disposable diapers). Increased public awareness of recycling

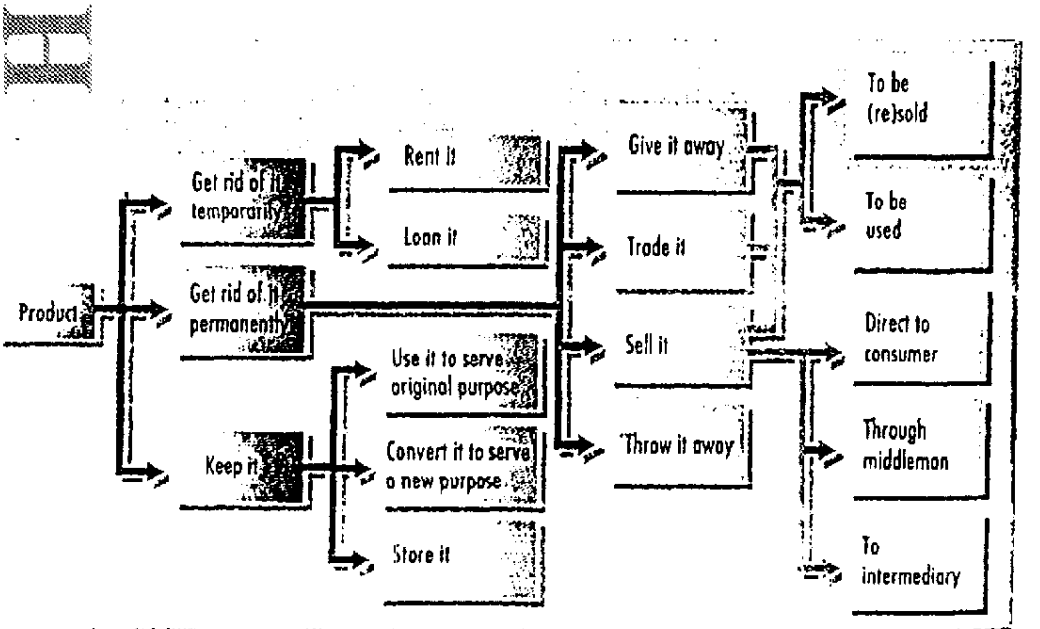

FIGURE 6-8
How Customers Use or Dispose of Products

Source: From Jacob Jacoby, Carol K. Berning, and Thomas F. Dietvorst, "What about Disposition?" *Journal of Marketing*, July 1977, p. 23. Reprinted with permission of the American Marketing Association.

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and ecological concerns as well as consumer complaints about having to throw away beautiful bottles led French perfume maker Rochas to think about introducing a new refillable fragrance line. The company's new fragrance for women, Tocade, was introduced worldwide in 1994 in refillable Eau de Toilette sprays in 30, 50, and 100 milliliter sizes. Another French perfumer, Parfums Thierry Mugler, launched Angel in 1992 in a star-shaped bottled designed with an innovative refill system. Customers are offered the choice between refilling the bottle themselves by purchasing a prepackaged "recharge" or returning to one of the 800 outlets in France at which a salesperson refills the bottle.[45]

SUMMARY

1. Before developing their marketing plans, marketers need to study consumer markets and consumer behavior. In analyzing consumer markets, firms need to research who constitutes the market (occupants), what the market buys (objects), why the market buys (objectives), who participates in the buying (organizations), how the market buys (operations), when the market buys (occasions), and where the market buys (outlets).
2. Consumer behavior is influenced by four factors: cultural (culture, subculture, and social class), social (reference groups, family, and roles and statuses), personal (age, stage in the life cycle, occupation, economic circumstances, lifestyle, personality, and self-concept), and psychological (motivation, perception, learning, beliefs, and attitudes). Research into all these factors can provide clues as to how to reach and serve consumers more effectively.
3. To understand how consumers actually make their buying decisions, marketers must identify who makes and has input into the buying decision: people can be initiators, influencers, deciders, buyers, or users, and different marketing campaigns might be targeted to each type of person. Marketers must also examine buyers' levels of involvement and the number of brands available to determine whether consumers are engaging in complex buying behavior, dissonance-reducing buying behavior, habitual buying behavior, or variety-seeking buying behavior.
4. The typical buying process consists of the following sequence of events: problem recognition, information search, evaluation of alternatives, purchase decision, and postpurchase behavior. The marketers' job is to understand the buyer's behavior at each stage and what influences are operating. The attitudes of others, unanticipated situational factors, and perceived risk may all affect the decision to buy, as will consumers' levels of postpurchase satisfaction and postpurchase actions on the part of the company. Satisfied customers will continue to purchase; dissatisfied customers will stop purchasing the product and are likely to spread the word among their friends. For this reason, companies must work to ensure customer satisfaction at all levels of the buying process.

CONCEPT APPLICATIONS

1. Savvy retailers use a variety of marketing techniques to capture the shopper's attention. How do retailers appeal to each of the five senses to attract the consumer's attention?
2. Use the appropriate components of the model of buyer behavior in the chapter (Figure 6-1) to explain the following consumer behaviors:
   a. Bird's nest soup (which is made from dried bird spittle) is not generally viewed as a

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delicacy in the United States, but honey (which is regurgitated nectar) is highly esteemed.

b. Some consumers shop in a broad variety of stores while other stick to a few known stores.

c. Some products are purchased after extensive searching, while others are bought at a moment's notice.

d. Two people are exposed to the same ad—one notices and processes the ad, while the other is unaware of its existence.

3. How could a marketing manager for each of the following organizations use Maslow's needs hierarchy to develop marketing strategy?
   a. American Cancer Society
   b. Revlon cosmetics
   c. Colonial Penn Life Insurance
   d. the Girl Scouts
   e. Calvin Klein jeans

4. Which of the following products are susceptible to the most postpurchase dissonance by consumers? Why? How might retailers reduce postpurchase dissonance for those products?
   a. Jaguar
   b. Tide detergent
   c. Sony CD player
   d. Encyclopaedia Britannica
   e. Suave shampoo

5. You are the brand manager responsible for marketing Dissolve mouthwash, which was recently introduced to the market. It is targeted toward the "extremely bad breath" segment and is especially effective for people who need to remove garlic from their breath. Your boss is not pleased with the current market penetration. He has asked you to look into the possibility of a coupon offer. Given your understanding of modifying behavior from the chapter, develop a free sample and progressive coupon program designed to achieve an increase in sales. How large should the free samples be? Where should coupons be placed—in newspapers, with the free samples, with the product, or a combination of all these? How should the value of the coupon vary with the place the coupon is found?

6. Develop a description of the different types of restaurants that people tend to frequent during the different family life cycle stages. What marketing strategies and tactics should the owners/managers of each of these establishments employ to appeal to their selected markets?

7. Select a low-involvement brand name product (e.g., Morton's salt, Hunt's ketchup) that is frequently purchased by consumers and assume that your company is its competitive challenger. What actions can you recommend to convince consumers to switch to your brand? What counteractions would you recommend to the original company to persuade their customers not to switch brands?

8. Although technological advances have resulted in "better sound for less money" for home audio equipment, the fastest-growing segment of the market is the high end—the most expensive equipment. What might explain this phenomenon?

9. A friend of yours plans to buy a new car. She prefers foreign makes and has narrowed her choices to a Volkswagen, Toyota, and Volvo. She looks for three things in a car: economy, quality, and roominess, and she values these attributes' importance at .5, .3, and .2, respectively. On a scale of 1 to 10 (10 being the best), she rates Volkswagen at 8, 8, and 2 on the three attributes; Toyota 3, 5, and 9; and Volvo 5, 8, and 7. Predict the car she is most likely to buy and least likely to buy. How might the latter company influence consumers to choose its car?

10. Describe the consumer market for briefcases, using the "Seven O's" framework described in this chapter.

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delicacy in the United States, but honey (which is regurgitated nectar) is highly esteemed.

b. Some consumers shop in a broad variety of stores while other stick to a few known stores.

c. Some products are purchased after extensive searching, while others are bought at a moment's notice.

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NOTES

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Other models of consumer evaluation include the *ideal-*

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brand model, which assumes that a consumer compares actual brands to her ideal brand and chooses the brand that comes closest to her ideal brand; the *conjunctive model*, which assumes that a consumer sets minimum acceptable levels on all the attributes and considers only the brands that meet all the minimum requirements; and the *disjunctive model*, which assumes that a consumer sets minimum acceptable levels on only a few attributes and eliminates those brands falling short. For a discussion of these and other models, see Green and Wind, *Multiattribute Decisions in Marketing*.

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41. See Albert O. Hirschman, *Exit, Voice, and Loyalty* (Cambridge, MA: Harvard University Press, 1970).
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44. Pam Weisz, "Avon's Skin-So-Soft Bugs Out," *Brandweek*, June 6, 1994, p. 4.
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Seaborn Case

Daniel Page Seaborn: b. 8/26/74 SON
smoker p. 14
parental influence pp. 15 - 18
parents said "bad for health" - p. 18
regular basis smoke - p. 18
peer pressure p. 22

knowledgable about warnings, etc.

Tracy Seaborn: b. 4/5/44 younger brother
quit smoking 1994 — chest pains

Lola Mae Woodham b. 12/4/27 oldest sister
Charlotte Rebhoff White Lead b. 6 years after Richard youngest sister
divorced — smoker

James Robert Hooper b. 11/24/38 classmate of Richard
Gloria Sue Arnold b. 11/12/38 Sister
Sarah Parnell b. 9/7/46 1st wife late 60's
10's drinking/gambling

D. H. Seaborn - p. 133 drinking 2nd wife
financed health care
nothing anyone said nothing could motivate him —

John Seaborn b. 12/13/70 Son
home at hospital no theirs warning
in front of father

UNITED STATES DISTRICT COURT
Northern District of Mississippi

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exhibit 5

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Richard Sea Saw Student Protest - Cuyahoga St.
Penn Square
Can Turned - trucks from Ohio - Oklahoma, Texas
wife says the cradle station to me one
Thanks etc on body Smoking
Thanks
Highly independent - in terms numbers
very strong
Jerry to Texas — Florida
Teaching classmates
Selective Apposure
Selective perception
Selective retention
in Kentucky of impact my society, an Smoking
Retention
Human is — numerology — modification
Army etc.

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Richard Scarborough

10/13/98 b. 1936 — 64 years old

Quit 6/4/96 — why-diagnosis of cancer p. 158

Risk taken p. 49 — Classmates p. 52

1st smoked @ 15 p. 53 why? curious p. 57

bummed other p. 57

sit in p. 57

right of passage p. 58

adults/teacher disapproval p. 73

Bad for you p. 75, 119, 120, 121, 130, 132, 135, 138, 152, 156, 173, 174, 208, 214 (3.6 1964),

Thought about not cancer cancer 165, 171

not happen to him 165, 171

bad boy 70's did p. 218

LT did not take warning seriously at first —

No key to quit seriously — not motivated in 70's to 80's p. 220

p. 218 — independence

did not believe tobacco cos p. 223

no heard of tro / Hill + Knowlton / B + W statements /

American tobacco / Pm statements

Liggett + Myers /

5/24/99 smoking interfered w/ job. p. 29

seen warnings p. 36

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